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EX PARTE MOTION OFFICE

APPROVED
FOR THE PAYMENT
OF MOTION FEE
ONLY

At IAS Part 11 of the Supreme Court
of the State of New York, County of
New York, at the courthouse
60 Centre Street, in the County, City
and State of New York, on the 11th
day of December, 2012.

PRESENT:

HON. JOAN A. MADDEN, J.S.C.

In the Matter of

the Conservation of the Trust Funds of

UNITED CAPITOL INSURANCE
COMPANY.

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COUNTY CLERK'S OFFICE

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Index No.: 401784/02

ORDER TO SHOW CAUSE

Based on the verified petition ("Verified Petition") of Mary Jo Marchisello, Assistant Special Deputy Superintendent and Agent of Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York as conservator ("Conservator") of a certain trust fund ("Trust Fund") of United Capitol Insurance Company ("United Capitol"), duly verified the ___ day of November, 2012 and exhibit attached thereto, and upon all other papers previously submitted and all proceedings heretofore had herein, and it appearing that the relief sought should be granted;

NOW, on motion of John Pearson Kelly, attorney for the Conservator, and after due deliberation having been had thereon,

LET all claimants and all other parties interested in the affairs of United Capitol show cause before this Court at IAS Part 11, Room 351, thereof, at the Courthouse located at 60 Centre Street in the County, City and State of New York, on the 2 day of January 2013 ("Return Date") at 9:30 clock a.m., or as soon thereafter as counsel can be heard, why an order should not be made, pursuant to Article 74 of the New York Insurance Law ("Insurance

Aggerv and

INT 10-12-12

Law”), *inter alia*: (i) approving the Conservator’s report on the status of the United Capitol’s conservation proceeding (“Conservation Proceeding”) and the financial transactions delineated therein; (ii) terminating and closing the Conservation Proceeding; (iii) releasing and discharging the Conservator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts and omissions in connection with the Conservation Proceeding; (iv) authorizing and directing the Conservator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of United Capitol, without further order of this Court; and (v) providing for such other and further relief as this Court may deem just and proper;

AND, sufficient cause having been alleged therefor, and this Court having found the form and method of notice specified herein to be the best notice practicable, it is hereby

ORDERED, that service of a copy of this Order to Show Cause and the papers upon which it is granted, shall be made by: (i) first class mail to Dale A. Coonrod, Deputy General Counsel, United Capitol Insurance Company (in liquidation), 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654, on or before the 13 day of December 2012, and (ii) posting on the Internet web page maintained by the New York Liquidation Bureau at within 7 days of the date of this order <http://www.nylb.org> ~~at least 15 days prior to the Return Date;~~ and it is further

ORDERED, that the form and methods of service specified herein are hereby approved as in accordance with the law and as the best notice practicable and shall therefore constitute due and sufficient notice of this Order to Show Cause and scheduled Return Date herein and the Verified Petition and the relief sought therein to all persons and entities entitled to receive such notice; and it is further

ORDERED, that all answering papers and supporting documentation (Answering Papers") be served on the Conservator so as to be received at least seven days prior to the Return Date, and that service on the Conservator shall be made by first class mail at the following address

The Superintendent of Financial Services of the State of New York
as Conservator of United Capitol Insurance Company
110 William Street
New York, New York 10038
Attention: John Pearson Kelly
General Counsel

and by submitting copies of the Answering Papers, with affidavit of service on the Conservator as above, to this Court at IAS Part 11, Room 351, at the Courthouse located at 60 Centre Street, in the County, City and State of New York, seven days before the Return Date; and it is further

ORDERED, that in the absence of Answering Papers filed pursuant to the previous paragraph on or prior to the date specified, the Court may enter relief without hearing and no party shall be entitled to be heard thereon; and it is further

ORDERED, that any person or entity that fails to serve Answering Papers as provided herein shall be deemed to have waived any objections to the relief sought in the Verified Petition, and shall be barred from raising objections in this or any other proceeding concerning the matters set forth herein; and it is further

ORDERED, that any person or entity that has served Answering Papers as provided herein shall be deemed to have waived any objections that are not set forth in the Answering Papers.

ENTER:

J. S.C.
HON. JOAN A. MADDEN
J.S.C.

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

-----X
In the Matter of

Index No.: 401784/02

the Conservation of the Trust Funds of

VERIFIED PETITION

UNITED CAPITOL INSURANCE COMPANY.
-----X

Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York ("Superintendent") as conservator ("Conservator") of a certain trust fund ("Trust Fund") of United Capitol Insurance Company ("United Capitol"), has appointed agents to carry out, through the New York Liquidation Bureau, the responsibilities of the Conservator. The Conservator, by Mary Jo Marchisello, Assistant Special Deputy Superintendent and Agent of the Conservator, respectfully makes the following petition upon information and belief:

1. By order of the Circuit Court of Cook County, Illinois, entered on November 14, 2001, ("Liquidation Order"), United Capitol was declared insolvent and placed in liquidation. Pursuant to the Liquidation Order, the Director of Insurance of the State of Illinois was appointed liquidator ("Liquidator"). See Exhibit A of the Conservator's Report on the Status and Request to Close the Conservation Proceeding of United Capitol ("Closing Report") attached hereto as Exhibit 1.

2. By Order of the Supreme Court of the State of New York, County of New York, entered on June 14, 2002 ("Conservation Order"), the then-Superintendent of Insurance of the State of New York, and his successors in office, were appointed as Conservator of United Capitol and directed to conserve the Trust Fund established by United Capitol ("Conservation Proceeding"). See Closing Report Exhibit B. The Superintendent has now succeeded the Superintendent of Insurance of the State of New York as Conservator of United Capitol.

3. An agreement was subsequently entered into between the Liquidator of United Capitol and the Conservator ("Conservation Agreement"), which was approved by the order of this Court, entered on May 21, 2012 ("Conservation Agreement Order"). The Conservation Agreement Order authorizes the Conservator to distribute the Trust Fund to the Liquidator in accordance with the terms of the Conservation Agreement. *See* Closing Report Exhibits C and D, respectively.

4. As set forth in the Closing Report, the Conservator has remitted the Trust Fund to the Liquidator, in accordance with the Conservation Agreement. The Conservation Proceeding has been completed and the Conservator has fulfilled the purposes for which the Conservation Proceeding was commenced. Therefore, it is respectfully submitted that the Closing Report should be approved, the Conservator should be discharged and the Conservation Proceeding should be terminated and closed.

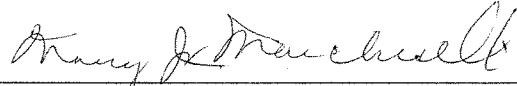
5. No previous application has been made for the relief sought herein to this or any other court or judge thereof.

WHEREFORE, it is respectfully requested that this Court enter an order:

- a) approving the Closing Report and financial transactions delineated therein;
- b) terminating and closing the Conservation Proceeding;
- c) releasing and discharging the Conservator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts and omissions in connection with the Conservation Proceeding;

- d) authorizing and directing the Conservator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of United Capitol, without further order of this Court; and
- e) providing for such other and further relief as this Court may deem just and proper.

Dated: New York, New York
November 26, 2012



Mary Jo Marchisello
Assistant Special Deputy Superintendent
and Agent of Benjamin M. Lawskey,
Superintendent of Financial Services
of the State of New York as Conservator of
United Capitol Insurance Company

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Mary Jo Marchisello, being duly sworn, deposes and says:

That she has read the foregoing Verified Petition and that the same is true based upon information and belief as to those matters stated therein. Deponent further says that the sources of her information and the grounds of her belief as to the matters alleged therein are from or were derived from the files of United Capitol Insurance Company in the possession of the Conservator and communications made to deponent by employees of the Conservator.

That the reason this petition is verified by this deponent rather than by the Superintendent of Financial Services of the State of New York is that deponent is the duly appointed Assistant Special Deputy Superintendent and Agent of the Superintendent of Financial Services of the State of New York as Conservator of United Capitol Insurance Company.



Mary Jo Marchisello
Assistant Special Deputy Superintendent
and Agent of Benjamin M. Lawskey,
Superintendent of Financial Services
of the State of New York as Conservator of
United Capitol Insurance Company

Sworn to before me this
26th day of November, 2012



Notary Public

DEBRA L. BRENNAN
Notary Public, State of New York
No. 01BR6257851
Qualified in Richmond County
Commission Expires March 19, 20 16

EXHIBIT “1”

**REPORT ON THE STATUS AND REQUEST TO CLOSE
THE CONSERVATION PROCEEDING OF
UNITED CAPITOL INSURANCE COMPANY**

INTRODUCTION

Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York ("Superintendent") as conservator ("Conservator") of a certain trust fund ("Trust Fund") of United Capitol Insurance Company ("United Capitol") has appointed Michael J. Casey, as Acting Special Deputy Superintendent and Agent of the Conservator and other Agents, to carry out, through the New York Liquidation Bureau ("Bureau"), the responsibilities of the Conservator. The Conservator, by Mary Jo Marchisello, Assistant Special Deputy Superintendent and Agent ("Assistant Special Deputy"), hereby submits this Report on the Status and Request to Close ("Closing Report") United Capitol's Conservation Proceeding ("Conservation Proceeding").

This Closing Report sets forth a history of United Capitol, a summary of the Conservator's activities pursuant to Article 74 of the New York Insurance Law ("Insurance Law") and the basis for the Conservator's recommendations to: (i) approve this Closing Report and the financial transactions delineated herein; (ii) terminate and close the Conservation Proceeding; (iii) release and discharge the Conservator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts and omissions in connection with the Conservation Proceeding; (iv) authorize and direct the Conservator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of United Capitol, without further order of this Court; and (v) provide for such other and further relief as this Court may deem just and proper.

BACKGROUND

United Capitol was a corporation organized and existing under the laws of the State of Illinois. United Capitol was not licensed in the State of New York. United Capitol conducted business on an unauthorized basis as an excess and surplus lines insurer in New York State and other states of the United States.

On May 1, 1995, pursuant to 11 NYCRR 27 ("Regulation 41"), specifically §§27.13 and 27.14, United Capitol entered into a trust agreement ("Trust Agreement") with Sun Trust Bank (formerly Trust Company Bank) ("Sun Trust") in Atlanta, Georgia, and established the Trust Fund in the amount of \$2,500,000.

By order of the Circuit Court of Cook County, Illinois entered November 14, 2001 ("Liquidation Order"), United Capitol was declared insolvent and the Director of Insurance of the State of Illinois was appointed liquidator ("Liquidator") to, among other things, take possession of United Capitol's assets and to determine and fix the amount of claims against United Capitol. A copy of the Liquidation Order is attached hereto as Exhibit A.

By order of the Supreme Court of the State of New York, County of New York, ("Conservation Order"), entered on June 14, 2002, ("Conservation Order Date"), the then-Superintendent of Insurance of the State of New York, and his successors in office, were appointed as Conservator of United Capitol and directed to conserve funds in the Trust Fund established by United Capitol and Sun Trust. A copy of the Conservation Order is attached hereto as Exhibit B. The Superintendent has now succeeded the Superintendent of Insurance of the State of New York as Conservator of United Capitol.

Pursuant to the Conservation Order, Regulation 41 and Insurance Law Article 74, the Conservator was directed to take possession of the Trust Fund, and any other fund subject to Regulation 41, for the protection of United Capitol's policyholders and beneficiaries ("United Capitol Policyholders"). The assets of the Trust Fund were thereafter delivered to the Conservator and deposited with JP Morgan Chase.

An agreement was subsequently entered into between the Liquidator and the Conservator ("Conservation Agreement"), which was approved by order of this Court, entered on May 21, 2012 ("Conservation Agreement Order"). The Conservation Agreement Order authorized the Conservator to distribute the Trust Fund to the Liquidator in accordance with the terms of the Conservation Agreement. Copies of the Conservation Agreement without exhibits and the Conservation Agreement Order are attached hereto, respectively, as Exhibits C and D.

Paragraph 3.1 of the Conservation Agreement requires the Conservator to distribute the Trust Fund, net of incurred expenses, to the Liquidator for general distribution if the Liquidator determines that all creditors in the same class as the United Capitol Policyholders, would receive a greater *pro-rata* distribution on their claims out of the general assets than they would receive from the Trust Fund alone. Conversely, Paragraph 3.2 of the Conservation Agreement requires the Conservator to distribute the Trust Fund to the United Capitol Policyholders through the Liquidator if the United Capitol Policyholders would receive a greater *pro-rata* distribution from the Trust Fund alone. Additionally, the Conservation Agreement requires the Liquidator to provide the Conservator with an affidavit sufficient to establish the distribution of Trust Fund pursuant to either Paragraph 3.1 or Paragraph 3.2. A copy of the affidavit of the Liquidator, sworn to on June 7, 2012 ("Affidavit"), is attached hereto as Exhibit E.

The Liquidator was able to pay the claims of all United Capitol Policyholders in full out of United Capitol's general assets without utilizing Trust Fund monies. The Liquidator's Affidavit confirms that all United Capitol Policyholders with allowed claims have been paid in full out of the general assets of United Capitol, including claims for the return of unearned premiums (See Exhibit E, p. 3).

Accordingly, pursuant to the Conservation Agreement and Conservation Agreement Order, the Conservator remitted to the Liquidator the remainder of the Trust Fund after the payment of administrative expenses. The transferred amount consisted of cash in the total amount of \$2,903,697 which was distributed to the Liquidator on July 11, 2012. The Conservator completed all activities related to the Trust Fund, in accordance with the Conservation Agreement, and therefore selected July 19, 2012 for closing United Capitol's books ("Closing Date").

**FINANCIAL CONDITION OF UNITED CAPITOL
AS OF THE CLOSING DATE**

As of the Conservation Order Date, the Trust Fund consisted of cash and invested assets in the total amount of \$2,554,354. Net investment income on the Trust Fund totaled \$495,500 from the Conservation Order Date through the Closing Date. For the period between the Conservation Order Date and the Closing Date, the Conservator paid administrative expenses in the amount of \$146,157, which includes \$49,905 for the salaries of the Conservator's staff; \$17,633 for employee benefits; \$11,554 for rent and related expenses; \$12,572 for professional fees (*e.g.*, accountants to prepare financial statements and other consultants for litigation support); \$15,155 for overhead expenses (*e.g.*, insurance, office equipment and supplies, printing, postage and telephone service); and \$39,338 for other miscellaneous expenses. On

July 11, 2012, after the Conservator's administrative expenses were paid in the amount of \$146,157, the Conservator remitted to the Liquidator, via wire transfer, the remainder of the Trust Fund, which amounted to \$2,903,697. United Capitol's comparative balance sheet as of the Conservation Order Date and the Closing Date, and statement of changes in cash and invested assets for the period between the Conservation Order Date and the Closing Date (collectively, "Financial Statements") are attached hereto as Exhibit F. The Financial Statements detail the receipts collected and disbursements made by the Conservator from the Conservation Order Date through the Closing Date.

THE CONSERVATION PROCEEDING MAY BE TERMINATED

The Conservator has remitted the Trust Fund to the Liquidator, in accordance with the Conservation Agreement, fulfilling the sole purpose of the Conservation Proceeding. The Conservation Proceeding is now complete and should therefore be terminated and closed.


RELIEF SOUGHT

The Conservator submits this Closing Report in order to describe to this Court the status of the Conservation Proceeding and to inform the Court that the Conservation Proceeding can be terminated. In support of the Conservator's recommendations stated herein, the Conservator has submitted to this Court the Verified Petition of the Assistant Special Deputy. Based on the Conservator's compliance with the Conservation Order, the Conservation Agreement Order, and based on facts set forth in the Verified Petition and herein, the Conservator respectfully requests in that this Court issue an order, which:

- (i) approves this Closing Report and the financial transactions delineated herein;
- (ii) terminates and closes the Conservation Proceeding;

- (iii) releases and discharges the Conservator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts and omissions in connection with the Conservation Proceeding;
- (iv) authorizes and directs the Conservator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of United Capitol, without further order of this Court; and
- (v) provides for such other and further relief as this Court may deem just and proper.

Dated: New York, New York
November 29, 2012



Mary Jo Marchisello
Assistant Special Deputy Superintendent
and Agent of Benjamin M. Lawsky,
Superintendent of Financial Services of the
State of New York as Conservator of
United Capitol Insurance Company

EXHIBIT “A”

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

PEOPLE OF THE STATE OF ILLINOIS, ex rel.)
NATHANIEL S. SHAPO, DIRECTOR OF)
INSURANCE OF THE STATE OF ILLINOIS,)

Plaintiffs,)

v.)

NO: 01 CH 14957

UNITED CAPITOL INSURANCE COMPANY,)
an Illinois Domestic Stock Insurance Company,)

Defendant.)

ORDER OF LIQUIDATION
WITH A FINDING OF INSOLVENCY

THIS CAUSE COMING ON TO BE HEARD upon the Verified Complaint For Liquidation, filed herein by the PEOPLE OF THE STATE OF ILLINOIS, on the relation of NATHANIEL S. SHAPO, Director of Insurance of the State of Illinois, seeking an order authorizing and directing the Director to take possession and control of the property, books, records, accounts, assets, business and affairs of UNITED CAPITOL INSURANCE COMPANY, and to liquidate its assets pursuant to the provisions of Article XIII of the Illinois Insurance Code (hereinafter the "Code"), 215 ILCS 5/187, *et seq.* (1998) and, further, to protect the interests of United Capitol Insurance Company's policyholders and creditors, and of the public; the Court having jurisdiction over the parties hereto and the subject matter hereof; the Court having reviewed the pleadings filed herein and having considered arguments of counsel for the Plaintiffs thereon; the Court having entered an order of default against United Capitol Insurance Company; and the Court then being otherwise advised in the premises, and for good cause appearing therefore;`

THE COURT FINDS:

1. The Relator, Nathaniel S. Shapo, is the Director of Insurance of the State of Illinois (hereinafter "Director") and, as such, is charged under 215 ILCS 5/401 and 20 ILCS 1405/56 with the rights, powers and duties appertaining to the enforcement and execution of all of the insurance laws of the State of Illinois.

2. The Defendant, United Capitol Insurance Company (hereinafter "United Capitol"), is an insurance company organized under and existing by virtue of the laws of the State of Illinois, having its principal place of business in the City of Atlanta, State of Georgia. Further, that United Capitol is a domestic company as defined by 215 ILCS 5/2(f).

3. Pursuant to Section 190 of the Code, 215 ILCS 5/190, the facts stated in the Verified Complaint and the Exhibit(s) thereto are to be taken as prima facie evidence of the facts therein recited.

4. For the reasons stated on the record herein, the Court finds that sufficient cause exists under Section 188 of the Code, 215 ILCS 5/188, for the entry of an order of liquidation with a finding of insolvency against the Defendant, United Capitol, based upon, without limitation, the fact that the Defendant, United Capitol, is insolvent.

5. The Court has entered an Order of Default against the Defendant, United Capitol, based upon United Capitol's failure to appear and answer the Verified Complaint for Liquidation With a Finding of Insolvency within the time prescribed by law.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED:

A. That sufficient cause exists for the entry of an order for the liquidation of the Defendant, United Capitol, and that this Order of Liquidation be and the same is hereby entered as to and against United Capitol Insurance Company, with a finding of insolvency;

B. That Nathaniel S. Shapo, Director of Insurance of the State of Illinois, and his successors in office, be and the same is hereby appointed as Liquidator of the Defendant, United Capitol (hereinafter "Director" or "Liquidator"), and is hereby authorized and directed to immediately take possession and control of the property, books, records, accounts, business and affairs, and all other assets of United Capitol, and of the premises occupied by United Capitol for the transaction of its business, and to marshal and liquidate the assets, business and affairs of United Capitol pursuant to the provisions of Article XIII of the Code, supra; and that the Director, as Liquidator, is hereby authorized to take such further action as the nature of the cause and the interests of United Capitol, its policyholders, creditors and stockholders, or the public may require, subject to the further orders of this Court; further, that the Director is hereby vested, as Liquidator, with title to all property, assets, contracts and rights of action of United Capitol, and that he is hereby authorized to deal with the property, assets, business and affairs of United Capitol, and to sue and defend for United Capitol, or for the benefit of United Capitol's policyholders and creditors, in the courts in his name as the Liquidator of United Capitol, or in the name of United Capitol;

C. That the Defendant, United Capitol, its present and former directors, officers, trustees, agents, managing general agents, third-party administrators, servants, representatives, employees and its direct and indirect parent, subsidiary and affiliated companies, including but not limited to Frontier Insurance Company, United Capitol Holding Company, Frontier Insurance, Group, Inc., Frontier Pacific Insurance Company, Western Indemnity Insurance Company, Olympic Underwriting Managers, Inc., Fischer Underwriting Group and

Environmental & Commercial Insurance Agency, Inc., and all other persons and entities having knowledge of this Order of Liquidation, are hereby ordered and directed to give immediate possession and control to the Liquidator of all property, books, records, accounts, and all other assets of the Defendant, United Capitol, and of any and all premises occupied by the Defendant, United Capitol, for the transaction of its business;

D. That all present and former agents, managing general agents, third-party administrators, fronting carriers, reinsurers, retrocessionaires, accountants, auditors, actuaries and attorneys of the Defendant, United Capitol, including but not limited to, WESTCAP Insurance Services, Claims Control Corporation, Olympic Underwriting Managers, Inc., Financial Management Solutions, Fischer Underwriting Group, Environmental & Commercial Insurance Agency, Inc. and Clarendon National Insurance Company, are hereby ordered and directed to release and deliver to the Liquidator, upon request, copies of all documents, records and files in their possession or under their control concerning or relating to the Defendant, United Capitol, in accordance with 215 ILCS 5/191, and to provide the Liquidator with such information as he may require concerning any and all business and/or professional relationships between them and the Defendant, United Capitol, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of United Capitol, or United Capitol's officers, directors, agents, servants, representatives and/or employees, or which United Capitol is, or may be, entitled to as the result of its relationship with such agents, third-party administrators, fronting carriers, reinsurers, retrocessionaires, accountants, auditors, actuaries and/or attorneys;

E. That the Defendant, United Capitol, its directors, officers, agents, servants, representatives and employees, and all other persons and entities having knowledge of this Order of Liquidation, are hereby restrained and enjoined from transacting any business of United Capitol, or dealing with, or disposing of, the property or assets of United Capitol, whether real, personal or mixed, without the express written consent of the Liquidator, or until further order of

this Court; and said persons, companies and entities are further restrained and enjoined from doing, or permitting to be done, any action which might waste or conceal the property or assets of United Capitol;

F. That all banks, brokerage houses, financial institutions, investment advisors, and all other persons, companies or entities having knowledge of this Order of Liquidation, having in their possession accounts or any other assets which are, or may be, the property of the Defendant, United Capitol, are hereby restrained and enjoined from disbursing or disposing of said accounts or assets, without the express written consent of the Liquidator; and all such persons, companies and entities are further enjoined and restrained from disposing of, or destroying, any records pertaining to any business transactions between the Defendant, United Capitol, and all such banks, brokerage houses, financial institutions, investment advisors, and any other persons, companies or entities having done business, or doing business, with the Defendant, United Capitol; and that each such person, company or entity is hereby ordered and directed to immediately turn over and deliver possession and control of any and all such accounts, assets and records to the Liquidator;

G. That all agents, managing general agents, third-party administrators and brokers of the Defendant, United Capitol, and their respective agents, servants, representatives and employees, and all other persons and entities having knowledge of this Order of Liquidation, including but not limited to WESTCAP Insurance Services, Olympic Underwriting Managers, Inc., Financial Management Solutions, Fischer Underwriting Group and Environmental & Commercial Insurance Agency, are hereby restrained and enjoined from returning any premium, earned or unearned, or any other money in their possession, or under their control, collected in connection with policies, contracts, bonds, certificates or treaties of insurance or reinsurance, previously issued, or to be issued, by United Capitol to policyholders or others; and said agents, managing general agents, third-party administrators and brokers, and their respective agents, servants, representatives and employees, and all other persons and entities, are hereby ordered

and directed to immediately turn over all such funds in their possession, or under their control, or to which they may hereafter acquire possession or control, to the Liquidator, in gross and not net of any commissions which may be due thereon, subject to the provisions of 215 ILCS 5/206;

H. That the present and former officers, directors, agents, servants, representatives and employees of the Defendant, United Capitol, and all other persons, companies and entities having knowledge of this Order of Liquidation, are hereby restrained and enjoined from bringing, asserting or further prosecuting any claim, action or proceeding, at law or in equity or otherwise, whether in this State or elsewhere, against the Defendant, United Capitol, or its property or assets, or against the Director as its Liquidator, except insofar as those claims, actions or proceedings arise in or are brought in these liquidation proceedings; that said officers, directors, agents, servants, representatives and employees, and all other persons, companies and entities are hereby restrained and enjoined from obtaining, asserting or enforcing preferences, judgments, attachments or other like liens or encumbrances, including common law retaining liens, or the making of any levy against the Defendant, United Capitol, or its property and assets while in the possession and control of the Liquidator; and that said officers, directors, agents, servants, representatives and employees, and all other persons, companies and entities are hereby restrained and enjoined from interfering, in any way, with the Liquidator's conduct of the liquidation of United Capitol; and from interfering, in any way, with the Liquidator in his right, title and interest to, and possession and control of, the property, business, books, records, accounts, premises and all other assets of the Defendant, United Capitol, until further order of this Court;

I. That the Director, as Liquidator, is hereby vested with the rights, title and interest in all funds recoverable under treaties, contracts and agreements of reinsurance heretofore entered into by or on behalf of United Capitol as the ceding insurer, and that all reinsurance companies involved with United Capitol are hereby restrained and enjoined from making any

settlements with any claimant or policyholder of United Capitol, or any other person, other than the Director as Liquidator, except with the written consent of the Director;

J. That all persons, companies and entities, including policyholders of United Capitol, and all persons asserting claims against such policyholders, are hereby restrained and enjoined from instituting or pursuing any action or proceeding in any court or before any administrative agency, including boards and commissions administering worker's compensation or occupational diseases or similar laws of the State of Illinois, or of any other state, or of the United States, which seek in any way, directly or indirectly, to contest or interfere with the Director's exclusive right, title and interest to funds recoverable under treaties and agreements of reinsurance heretofore entered into by or on behalf of United Capitol as the ceding insurer;

K. That all contracts, treaties and agreements of reinsurance wherein United Capitol was, or is, the assuming or retrocessional reinsurer are hereby canceled on a "cut off" basis, effective upon the date of the entry of this Order of Liquidation; and further, that all other treaties, contracts and agreements of reinsurance, wherein United Capitol is the ceding company, shall remain in full force and effect pending a determination and recommendation by the Liquidator as to when, and upon what terms, cancellation is appropriate;

L. That the rights and liabilities of United Capitol, and of its policyholders, creditors and stockholders, and of all other persons interested in United Capitol's property or assets are hereby fixed as of the date of the entry of this Order of Liquidation, in accordance with 215 ILCS 5/194, except as provided in Paragraph (M) herein, or as may otherwise be provided by further order of this Court;

M. That all direct policies, bonds and/or certificates of insurance heretofore issued by United Capitol are hereby canceled upon the following terms:

1. All direct policies, bonds and/or certificates of insurance which may give rise to "covered claims" of the Illinois Insurance Guaranty Fund, as defined in Sections 534.3 and 537.2 of the Code, 215 ILCS 5/534.3 and 5/537.2, or which may give rise to "covered claims" of similar organizations in any other states, as defined by similar statutes in such other states, shall be cancelled on the earliest of:
 - (a) At 12.01 a.m., local time of the insured, policyholder, bondholder and/or certificate holder of any such direct policy, bond and/or certificate of insurance, thirty-one (31) days after the date of the entry of this Order of Liquidation; or
 - (b) Upon the expiration date of any such direct policy, bond and/or certificate of insurance, if the expiration date is less than thirty-one (31) days after the date of the entry of this Order of Liquidation; or
 - (c) Upon the date the insured, policyholder, bondholder and/or certificate holder of any such direct policy, bond and/or certificate of insurance replaces the direct policy, bond and/or certificate of insurance, or on request effects cancellation thereof, if the insured, policyholder, bondholder and/or certificate holder does so within thirty-one (31) days after the date of the entry of this Order of Liquidation.
2. All other direct policies, bonds and/or certificates of insurance issued by United Capitol are hereby canceled effective upon the date of the entry of this Order of Liquidation.

N. That the obligation of United Capitol, if any, to defend or continue the defense of any claim or suit under a liability insurance policy is hereby terminated, effective upon the date of the entry of this Order of Liquidation, in accordance with Section 209(5) of the Code, 215 ILCS 5/209(5);

O. That this Order of Liquidation With a Finding of Insolvency is hereby deemed a final order within the meaning of Illinois Supreme Court Rule 307(a)(5), and that there be no just reason for delaying enforcement or appeal hereof;

P. That the Director, as Liquidator, is hereby directed and authorized to wind down and terminate United Capitol's business and affairs, and to make the continued expenditure of such wages, rents and expenses as he may deem necessary and proper for administration of the liquidation of United Capitol;

Q. That the Director, as Liquidator, is hereby directed to make periodic reports to this Court regarding the status of United Capitol while in liquidation, and the Director, as Liquidator, is further directed to file with this Court, for its consideration, periodic reports of the Liquidator's receipts and disbursements of United Capitol, in accordance with Section 202 of the Code, 215 ILCS 5/202;

R. That the Director, as Liquidator, is hereby authorized to pay from the assets of the Defendant, United Capitol, those expenses incurred during the course of the liquidation of United Capitol, including but not limited to, attorneys' fees, accountants' fees and consultants' fees, as administrative expenses, pursuant to and in a manner consistent with the provisions of Section 202 of the Code, *Id.*;

S. That the Director, as Liquidator, is hereby authorized to sell, at a reasonable price, any real or personal property of United Capitol having a market value of the amount of Twenty Five Thousand Dollars (\$25,000.00), or less, without the prior approval of this Court; and the Director, as Liquidator, is hereby authorized to abandon or dispose of any items of personal property of United Capitol having no sale value whatsoever, without the prior approval of this Court; and that any such sale of the real or personal property of United Capitol shall be reported by the Liquidator to this Court in his periodic reports of the receipts and disbursements of United Capitol;

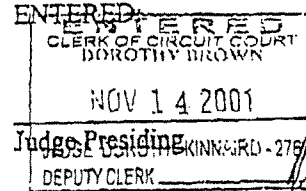
T. That all costs of these proceedings are hereby taxed and assessed against the Defendant, United Capitol;

U. That the caption in this cause and all pleadings filed in this matter shall hereafter read:

**"IN THE MATTER OF THE LIQUIDATION
OF UNITED CAPITOL INSURANCE COMPANY"**

V. That the Order of Conservation, entered in this cause as to and against United Capitol on September 12, 2001, and the conservation proceedings arising therefrom, are hereby terminated effective upon the entry of this Order of Liquidation.

W. That this Court shall retain jurisdiction in this cause for the purpose of granting such other and further relief as the nature of the cause and the interests of the Defendant, United Capitol, its policyholders, creditors and stockholders, or of the public, may require; and/or as this Court may deem proper in the premises.



James E. Ryan
Attorney General of Illinois
Attorney for the PEOPLE OF
THE STATE OF ILLINOIS

David W. Van de Burgt
Assistant Attorney General
100 West Randolph Street
Twelfth Floor
Chicago, Illinois 60601
(312) 814-3599
Attorney Code # 99000

OF COUNSEL:
Cathleen Travis
D. Daniel Barr
Dale A. Coonrod
Counsel to the Receiver
222 Merchandise Mart Plaza, Suite 1450
Chicago, Illinois 60654
(312) 836-9500
Attorney Code # 16210

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TEL: 843/904001

11.017

I HEREBY CERTIFY THE ABOVE TO BE CORRECT.
DATE NOV 15 2001

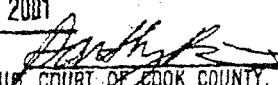

CLERK OF THE CIRCUIT COURT OF COOK COUNTY,
THIS ORDER IS THE COMMAND OF THE CIRCUIT
COURT AND VIOLATION THEREOF IS SUBJECT TO
PENALTY OF THE LAW.

EXHIBIT “B”

At IAS Part 11 Room 351 Supreme Court of the State of New York, County of New York, County of New York, at the Courthouse, 60 Centre Street, in the Borough of Manhattan, City and State of New York, on the _____ day of _____, 2002.

PRESENT:

HON.

JUSTICE

Index No.: 401784/02

In the Matter of

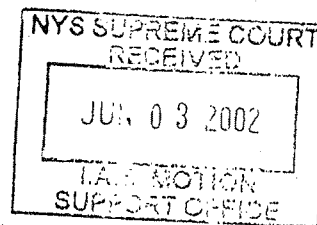
the Application of

GREGORY V. SERIO Superintendent of Insurance of the State of New York, for an order to take possession of and to conserve certain trust funds of

UNITED CAPITOL INSURANCE COMPANY

ORDER OF CONSERVATION

FILED
JUN 14 2002
CLERK'S OFFICE



GREGORY V. SERIO, Superintendent of Insurance of the State of New York ("Petitioner or Superintendent") having moved this Court for an order to take possession of and conserve all trust funds established pursuant to 11 NYCRR §27.13 and §27.14 of the Insurance Law of the State of New York by or on behalf of UNITED CAPITOL INSURANCE COMPANY (hereinafter referred to as "UNITED CAPITOL"), and such motion having come on before this Court on the 16 day of May, 2002;

NOW, upon reading and filing the Order to Show Cause made on the 29th day of April, 2002 by HON. JOAN A. MADDEN, one of the Justices of the Supreme Court of the State of New York and the petition of GREGORY V. SERIO Superintendent of Insurance of the State of New York, verified the 22nd day of March 2002 with exhibits thereto, and due proof of

service of said Order to Show Cause and the papers upon which it was granted upon UNITED CAPITOL and SUN TRUST BANK, formerly Trust Company Bank. by Affidavit of Lorraine F. Johnson sworn to the 30th day of April, 2002, and it appearing to my satisfaction that:

1. UNITED CAPITOL is a corporation organized and existing under the Laws of the State of Illinois to conduct the business of insurance;
2. UNITED CAPITOL is not licensed to conduct such business in the State of New York;
3. UNITED CAPITOL issued insurance policies on an excess and surplus lines basis in the United States, and pursuant to 11 NYCRR §§ 27.13 and 27.14 of the Insurance Law (Regulation 41 of the Regulations of the Superintendent of Insurance of the State of New York) established a trust fund in Atlanta, Georgia with SUN TRUST BANK, formerly Trust Company Bank, as trustee, for the protection of its policyholders and beneficiaries in the United States (the "Trust Fund").
4. Pursuant to Regulation 41 of the Rules and Regulations of the Superintendent, 11 NYCRR § 27.13 and § 27.14 and Article 74 of the Insurance Law, the Trust Fund is subject to the jurisdiction of this Court.
5. UNITED CAPITOL is insolvent under the laws of the State of Illinois.
6. Pursuant to Regulation 41 the Superintendent of Insurance of the State of New York should be directed to take possession of the Trust Fund and other Regulation 41 trust funds for the protection of UNITED CAPITOL policyholders and beneficiaries subject to further direction of this Court under and pursuant to the provisions of the Insurance Law of the State of New York.

And Petitioner, having appeared by the HON. ELIOT SPITZER, Attorney General of the State of New York. and due deliberation having been had:

NOW, on the motion of the HON. ELIOT SPITZER, Attorney General of the State of New York, IT IS ORDERED as follows:

1. The petition is granted.
2. GREGORY V. SERIO. Superintendent of Insurance of the State of New York and his successors in office, as Superintendent are authorized forthwith to take possession of and to conserve the Trust Fund and all other Regulation 41 trust funds established by or on behalf of UNITED CAPITOL until the further order of this Court;
3. The Superintendent as Conservator is directed to take such other and further steps as may be required to protect the policyholders and beneficiaries of UNITED CAPITOL in the United States pursuant to the Insurance Law and subject to the further order of this Court;
4. Formal notice of the making and entry of this order be given by the Superintendent, as Conservator, by mail to the Commissioners, Superintendents, or Directors of Insurance of each State, District of Columbia and Puerto Rico, and SUN TRUST BANK, as trustee, and by publication in the New York Times and the Journal of Commerce, commencing three weeks from the date of entry of this order, once a week for two successive weeks;
5. Because UNITED CAPITOL has no records in the State of New York, and it is involved in a judicial proceeding in Illinois where its records are located, the Superintendent of Insurance as Conservator is relieved of notifying claimants and policyholders of this Order except as aforesaid in the preceding paragraph;
6. The notice hereinabove prescribed is sufficient notice to all policyholders and beneficiaries of UNITED CAPITOL in the United States;
7. UNITED CAPITOL. its officers, directors, stockholders, depositories, trustees, attorney, managers, agents, servants, employees, policyholders and creditors, and all other persons having in the State of New York any property or records relating to the Trust Fund and all other Regulation 41 trust funds in the State of New York are hereby directed to assign, transfer and deliver to the Superintendent of Insurance, as Conservator, and his successors in office, all of such property in whose ever name the same may be, and that any persons, firms or corporations having any books, papers or records relating to the Trust Fund and all other Regulation 41 trust funds and shall preserve the same and submit them to the

Superintendent, as Conservator, or his agents, for examination at all reasonable times;

8. That UNITED CAPITOL, its officers, directors, stockholders, depositories, trustees, attorneys, managers, agents, servants, employees, policyholders and creditors, and all other persons, be and they are hereby restrained from dealing with or disposing of the Trust Fund and all other Regulation 41 trust funds or from doing or permitting to be done any act or thing which might waste said Trust Fund or other Regulation 41 trust funds or allow or suffer the obtaining of preferences, judgments, attachments, garnishments or other liens, or the making of any levy against said Trust Fund or other Regulation 41 trust funds while in the possession or control of the Superintendent, as Conservator;
9. That the officers, directors, stockholders, depositories, trustees, attorneys, managers, agents, servants, employees, policyholders and creditors of said UNITED CAPITOL, and all other persons be and they hereby are enjoined and restrained from bringing or further prosecuting any action at law, suit in equity, special or other proceedings with respect to the Trust Fund or any other Regulation 41 trust fund against UNITED CAPITOL, its depositories, and the trustees of the Trust Fund or any Regulation 41 trust funds or the Superintendent, individually or as Conservator, or from making or executing any levy or legal process within the State of New York upon the Trust Fund or any Regulation 41 trust funds or from in any way interfering with the Superintendent of Insurance of the State of New York or his successors in office in his or their possession, control, conservation and management of the Trust Fund or any Regulation 41 trust funds in the State of New York or in the discharge of the Insurance Law of the State of New York and any other provision of the Insurance Law of the State of New York (but only with respect to the Trust Fund or Regulation 41 Trust Funds in the State of New York);
10. The Superintendent, as Conservator, and his successors in office as Superintendent be and they are hereby authorized, permitted and allowed to sell, assign and transfer any and all of the stocks, bonds and securities that constitute the Trust Fund or other Regulation 41 trust funds in the State of New York, in his possession or which may hereafter come into his possession belonging to UNITED CAPITOL, in conservation, at market price or better, or when there is no market price, at the best price obtainable, at private sale and at such times and upon such terms and conditions as in his discretion he deems for the best interest of the policyholders, and creditors of UNITED CAPITOL, in conservation, and in furtherance of the

conservation of the Trust Fund and all other Regulation 41 trust funds and that he be authorized, permitted and allowed to take such steps and to make and execute such agreements and other papers as may be necessary to effect and carry out such sales, transfers and assignments; and

11. That all further papers in this proceeding shall bear the caption and be entitled:

"SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK"

In the Matter of
the Conservation of
the Trust Funds of
UNITED CAPITOL INSURANCE COMPANY"

in place and stead of the caption as heretofore used.

E N T E R

J. S. C.

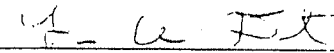
LAD/ma
L2478/united capitol order

FILED
JUN 14 2002
COUNTY CLERK'S OFFICE
NEW YORK

In accordance with Part 130, I advise that the following papers are attached:

Order of Conservation

Lawrence A. Dinerstein, Esq.
Senior Attorney
N.Y. State Dept. of Insurance
Liquidation Bureau
123 William Street
New York, NY 10038
(212) 341-6638



Lawrence A. Dinerstein

SUPREME COURT OF THE STATE OF NEW YORK — NEW YORK COUNTY

PRESENT: HON. JOAN A. MADDEN
J.S.C.
Justice

PART 11

In Re: United Capital
Insurance Co.

- v -

INDEX NO. 401784/02
MOTION DATE _____
MOTION SEQ. NO. 001
MOTION CAL. NO. _____

The following papers, numbered 1 to _____ were read on this motion to/for _____

Notice of Motion/ Order to Show Cause — Affidavits — Exhibits ...

Answering Affidavits — Exhibits _____

Replying Affidavits _____

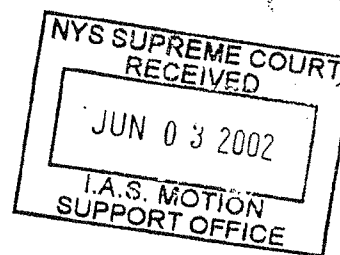
PAPERS NUMBERED

Cross-Motion: ☐ Yes ☐ No

Upon the foregoing papers, it is ordered that this motion is granted without opposition in accordance with the annexed order of conservation.

MOTION/CASE IS RESPECTFULLY REFERRED TO

JUSTICE



COUNTY CLERK'S OFFICE
NEW YORK

FILED
JUN 14 2002

Dated: 5/15/02

HON. JOAN A. MADDEN
J.S.C.

Check one: ☒ FINAL DISPOSITION

☐ NON-FINAL DISPOSITION

SUPREME COURT: NEW YORK COUNTY

In the Matter of
The Application of

GREGORY V. SERIO, Superintendent of Insurance of the
State of New York, for an order to take possession of and
to conserve certain trust funds of

UNITED CAPITOL INSURANCE COMPANY

ORDER OF CONSERVATION

ELIOT SPITZER

Attorney General

Attorney for the Superintendent of
Insurance

Office and Post Office Address
120 Broadway, New York, N.Y. 10271
Tel. (212) 416-8658

Personal service of a copy of

within..... day of
is admitted this y.....20

Sir:

Please take notice that the within is a true
copy of
duly filed and entered in the office of the clerk
of
day of 20 County, on
the

Yours, etc.,
ELIOT SPITZER

Attorney General,

Attorney for

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To

Attorney for

Sir

Please take notice that the within

will be presented for settlement and signature
herein to the Hon.
one of the judges of the within named Court, at

in the Borough of
City of New York, on the
day of
, 20 , at M.

Date, N.Y.,

Yours, etc.,

ELIOT SPITZER

Attorney General,

Attorney for

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To

, Esq.

Attorney for

EXHIBIT “C”

CONSERVATION AGREEMENT

CONSERVATION AGREEMENT (the "Agreement") entered into between Andrew R. Stolfi, Acting Director of Insurance of the State of Illinois, as statutory Liquidator (the "Liquidator") of United Capitol Insurance Company ("United Capitol"), and Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York, as Conservator (the "Conservator") of United Capitol, by which the Liquidator and the Conservator shall coordinate the distribution of certain trust funds deposited in New York that are being conserved by the Conservator.

WHEREAS, by order of the Circuit Court of Cook County, Illinois entered November 14, 2001 (the "Liquidation Order"), United Capitol was declared insolvent and the Liquidator was appointed to, among other things, take possession of United Capitol's assets and to determine and fix the amount of claims against United Capitol;

WHEREAS, by order of the Supreme Court of the State of New York entered June 14, 2002 (the "Conservation Order"), the Conservator was appointed and directed to conserve funds in a trust established by United Capitol and Sun Trust Bank (formerly Trust Company Bank) ("Sun Trust") in Atlanta, Georgia, in accordance with a Trust Agreement dated May 13, 1994 between United Capitol and Sun Trust, as Trustee. A copy of the Trust Agreement and all attachments thereto (the "Trust Agreement") is annexed hereto as Exhibit "A";

WHEREAS, United Capitol, pursuant to NYCRR Sections 27.13 and 27.14 (Regulation 41), deposited the trust funds which are made up of cash and securities, in the amount of \$2,909,969 as of December 31, 2010, for the benefit of United Capitol Policyholders (defined below) in order to sell surplus excess lines insurance in New York and other states as an unauthorized insurer;

WHEREAS, the Trust Agreement provides, in part, that the Trust Funds (defined below) shall be used for the payment of claims for losses under United Capitol policies, and upon full payment of all claims for losses, for payment of claims for return of unearned premium;

WHEREAS, pursuant to the Conservation Order, Sun Trust delivered the Trust Funds to the Conservator who has deposited them in an account at the J.P. Morgan Chase Bank, New York, New York;

WHEREAS, the Conservator has an obligation to distribute the Trust Funds to United Capitol Policyholders in accordance with Article 74 of the New York Insurance Law;

WHEREAS, the Liquidator has, in accordance with the laws of his jurisdiction and pertinent order of the Receivership Court (defined below), provided notice to all United Capitol Policyholders that their claims should be presented in the Receivership Proceeding (defined below).

WHEREAS, the Liquidator is in possession of United Capitol's records and is required to fix and determine all claims against United Capitol, including claims by United Capitol Policyholders;

WHEREAS, it is in the best interest of United Capitol Policyholders for the Conservator and Liquidator to coordinate distribution of the Trust Funds and avoid duplication of effort and expense:

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 "United Capitol" is United Capitol Insurance Company.

1.2 The "Liquidator" is Andrew R. Stolfi, Acting Director of Insurance of the State of Illinois, as Liquidator of United Capitol and his successors and assigns.

1.3 The "Conservator" is Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York, as Conservator of United Capitol and his successors and assigns.

1.4 "Sun Trust" is Sun Trust Bank (formerly Trust Company Bank).

1.5 The "Trust" is the Trust created pursuant to the Trust Agreement dated May 13, 1994 between United Capitol and Sun Trust.

1.6 The "United Capitol Policyholders" are policyholders of United Capitol, beneficiaries thereof and claimants against policyholders, who either timely filed claims or are deemed to have timely filed claims in the United Capitol receivership proceeding, involving policies written by United Capitol in states where United Capitol did business as a surplus lines insurer.

1.7 The "Trust Funds" are the funds that United Capitol deposited with Sun Trust pursuant to the Trust Agreement, together with all interest and earnings thereon.

1.8 "General Assets" include all of United Capitol's property, real or personal, whether mortgaged, pledged, deposited as security or otherwise encumbered.

1.9 The "Receivership Court" is the Circuit Court of Cook County, Illinois, and any successor court that is supervising the liquidation of United Capitol pursuant to an Order of Liquidation.

1.10 The "Receivership Proceeding" is the proceeding pending in the Circuit Court of Cook County, Illinois, Case No. 01 CH 14957, under the supervision of the Receivership Court.

1.11 The "Liquidation Order" is the order of the Circuit Court of Cook County, Illinois entered on November 14, 2001.

1.12 The "Conservation Court" is the Supreme Court of the State of New York, County of New York, and any successor court that is supervising the conservation of United Capitol.

1.13 The "Conservation Proceeding" is the proceeding pending in the Supreme Court of the State of New York, County of New York, Index No. 401784/02, under the supervision of the Conservation Court.

1.14 The "Conservation Order" is the order of the Supreme Court of the State of New York, County of New York, entered on June 14, 2002.

1.15 The "Agreement" is the Conservation Agreement between the Liquidator and the Conservator.

ARTICLE II

CONSERVATION OF THE TRUST FUNDS

2.1 The Conservator shall maintain the Trust Funds in any manner permitted by law until he distributes the Trust Funds to the Liquidator in accordance with Article III hereof.

2.2 The Conservator shall pay the expenses of the Conservation Proceeding out of the Trust Funds.

ARTICLE III

DISTRIBUTION OF THE TRUST FUNDS

3.1 The Conservator shall distribute the Trust Funds, net of incurred expenses, to the Liquidator upon the Liquidator's submission to the Conservator of an affidavit, supported by financial documentation as described in Section 5.1 hereof, that establishes, to the satisfaction of the Conservator, that all creditors in the same class as United Capitol Policyholders, including United Capitol Policyholders, will ultimately receive a greater pro-rata distribution out of the General Assets of United Capitol, than United Capitol Policyholders would receive out of the Trust Funds with respect to claims for losses.

3.2 In the event that the Liquidator determines that United Capitol Policyholders will receive a greater pro-rata distribution out of the Trust Funds for their claims for losses or return of unearned premium than all creditors of their class would receive out of the General Assets of United Capitol, the Conservator shall, subject to Section 3.4(b) hereof, distribute the Trust Funds to the Liquidator, as his agent for distribution of the Trust Funds to the United Capitol Policyholders, upon the Liquidator's submission to the Conservator of an affidavit, satisfactory to the Conservator, supported by financial documentation as described in Section 5.1 hereof, which sets forth the final amount determined by the Liquidator to be due for each claim made by United Capitol Policyholders.

3.3(a) For the purpose of determining the proper ratios to be utilized in Sections 3.1 and 3.2 hereof, the Liquidator shall not consider claims by United Capitol Policyholders for return of unearned premium in connection with determining the pro-rata distribution to be made out of the Trust Funds unless there are no claims by United Capitol Policyholders for losses.

(b) For the purpose of establishing the proper ratios to be utilized in Sections 3.1 and 3.2 hereof, the General Assets shall be deemed to include the Trust Funds.

3.4(a) If the Conservator distributes the Trust Funds to the Liquidator pursuant to Section 3.1 hereof, the Liquidator may treat the Trust Funds as General Assets of United Capitol.

(b) If the Conservator distributes the Trust Funds to the Liquidator pursuant to Section 3.2 hereof, the Liquidator shall, subject to Section 4.6 hereof, use the Trust Funds solely for the payment of claims of United Capitol Policyholders in accordance with the final determination of claims submitted to the Conservator. The Trust Funds shall not be treated as General Assets of United Capitol and shall not be used for any purpose other than as set forth herein.

(c) If the Conservator distributes the Trust Funds pursuant to Section 3.2 hereof and the Trust Funds are sufficient to pay claims for return of unearned premium after full payment of all claims for losses, the Liquidator, as agent of the Conservator, shall distribute to each United Capitol Policyholder with a claim or claims for return of unearned premium, that United Capitol Policyholder's pro-rata share of the remaining Trust Funds.

ARTICLE IV
DETERMINATION AND ADJUDICATION OF CLAIMS
PAYABLE OUT OF THE TRUST FUNDS

4.1 The Liquidator shall, in accordance with the laws of his jurisdiction and pertinent orders of the Receivership Court, examine and fix all claims by United Capitol Policyholders that are payable out of the Trust Funds.

4.2 Subject to Article III and Article V hereof, the final adjudication in the Receivership Proceeding of claims payable out of the Trust Funds shall be binding on the Conservator, regardless of whether the Trust Funds are distributed pursuant to Section 3.1 or Section 3.2 hereof.

4.3 In the event the Trust Funds are distributed pursuant to Section 3.1 hereof, United Capitol Policyholders shall share in the distribution of assets by the Liquidator in the same manner and to the same extent as all other creditors in the same class.

4.4 In the event the Trust Funds are distributed pursuant to Section 3.2 hereof, United Capitol Policyholders shall share in the distribution of the General Assets of United Capitol by the Liquidator in the same manner and to the same extent as all other creditors in connection with claims for return of unearned premium; except, that United Capitol Policyholders shall not receive any distribution for such claims until all creditors of the same class have received the same pro-rata distribution out of the General Assets that the United Capitol Policyholders received out of the Trust Funds for their claims for return of unearned premium.

4.5 In the event the Liquidator declares a dividend prior to the distribution of the Trust Funds, United Capitol Policyholders shall receive dividend payments out of General Assets from the Liquidator in the same manner and to the same extent as all other creditors.

4.6 In the event the Trust Funds are distributed pursuant to Section 3.2 hereof following the declaration of a dividend, the Liquidator shall reimburse to the General Assets the total amount of the dividend paid to the United Capitol Policyholders out of the Trust Funds.

ARTICLE V
FINANCIAL DOCUMENTATION

5.1 The Liquidator shall support the affidavit to be submitted pursuant to Section 3.1 or Section 3.2 hereof with financial documentation sufficient for the Conservator to verify the Liquidator's conclusions. The following items are examples of the types of documentation that may satisfy this requirement:

- (a) All documents and information provided to the Receivership Court;

- (b) Current financial statements;
- (c) Auditor's reports;
- (d) Actuarial reports and projections;
- (e) Policy runs which would list the name and address of the policyholder, policy number, and the effective and cancellation dates;
- (f) Loss runs for all creditors;
- (g) Loss runs which break out claims by United Capitol Policyholders;
- (h) List of claims allowed for payment;
- (i) List of disallowed claims; and
- (j) Claim Files;
- (k) Policy underwriting files.

5.2 In the event the Conservator, in his sole discretion, determines that the financial documentation provided by the Liquidator pursuant to Section 3.1 or Section 3.2 hereof does not support the Liquidator's conclusions, the Conservator may require that the Liquidator provide additional documentation or other available information.

ARTICLE VI

NOTICE/PETITION FOR COURT APPROVAL

6.1 Articles III, IV and V of this Agreement shall not be effective until the Agreement is approved by the Conservation Court.

6.2 The Conservator shall file with the Conservation Court a petition for an order approving this Agreement and terminating the Conservation Proceeding in accordance with its terms. The petition shall request that the Court schedule a hearing on the petition for approval of this Agreement.

6.3 The Liquidator shall provide notice to all United Capitol Policyholders that the Conservator has petitioned the Conservation Court for an order approving this Agreement. The notice shall state that:

(a) Pursuant to an order of the Supreme Court of the State of New York dated, June 14, 2002, the Conservator is conserving Trust Funds that were deposited in the amount of \$2,500,000 by United Capitol pursuant to NYCRR Sections 27.13 and 27.14 (Regulation 41) for the benefit of United Capitol Policyholders;

(b) The Conservator and Liquidator have entered into an Agreement for the purpose of avoiding duplication of effort and expense, pursuant to which Agreement, the Conservator will distribute the Trust Funds, in the amount of \$2,909,969 as of December 31, 2010, to the Liquidator for distribution to the United Capitol Policyholders;

(c) The Agreement provides that: (i) if United Capitol Policyholders would receive a greater pro-rata distribution from the General Assets than they would receive from the Trust Funds, then the Liquidator will combine the Trust Funds with the General Assets for distribution to all creditors of United Capitol; or (ii) if United Capitol Policyholders would receive a greater pro-rata distribution out of the Trust Funds than out of General Assets then the Liquidator will distribute the Trust Funds to United Capitol Policyholders, as agent for the Conservator;

(d) The Agreement provides that the Liquidator will determine the value of all claims and that the final adjudication of claims in the Receivership Proceeding will be binding on the Conservator;

(e) The Conservation Proceeding will be terminated following distribution of the Trust Funds to the Liquidator;

(f) A hearing has been scheduled before Hon. _____ of the Supreme Court of the State of New York, County of New York, on _____, 2011 at _____ a.m. at 60 Centre Street, Room _____ at which time all persons who object to the Agreement may be heard; and

(g) United Capitol Policyholders who wish to be heard must serve written objections on the Conservator by (date) _____. Written objections should be served on the Superintendent of Financial Services of the State of New York as Conservator of United Capitol Insurance Company, 110 William Street, New York, New York 10038-3889, and must be filed in the Supreme Court of the State of New York, County of New York, in the proceeding entitled "In the Matter of the Conservation of United Capitol Insurance Company", Index No. 401784/02.

ARTICLE VII GENERAL PROVISIONS

7.1 This Agreement shall be interpreted under and governed by the laws of the State of New York without reference to conflict of law principles.

7.2 Following approval as provided in Section 7.3 hereof, disputes arising out of this Agreement shall be resolved in the Conservation Proceeding or, subsequent to the termination of the Conservation Proceeding, in the Supreme Court of the State of New York, County of New York. The parties hereto consent to the jurisdiction of the Supreme Court of the State of New York for these stated purposes.

7.3 Articles III, IV and V hereof shall not be effective until entry of an order approving the Agreement in the Conservation Proceeding.

7.4 In the event the Agreement is not approved by the Conservation Court, the parties hereto shall be restored to the status quo ante and the Conservator shall not be liable for any expenses incurred by the Liquidator in connection with this Agreement.

7.5 The Liquidator warrants that for so long as any of the Trust Funds referred to herein are available for the purposes set forth in this Agreement, he will until such time as the United Capitol Receivership Proceeding is terminated and United Capitol is no longer in liquidation, defend, indemnify and hold harmless the Conservator, his past, present and future employees, agents, successors and assigns from and against any and all claims, counterclaims, demands, causes of action, judgments, liens, debts, liabilities, costs, fees, disbursements, attorneys' fees (whether incurred under salary, retainer or otherwise), expenses, damages, losses

and injuries of any kind, nature or description, known or unknown, suspected or unsuspected, fixed or contingent, which now exist or may hereafter exist, arising out of or in any way connected with this Agreement.

7.6 The failure of a party to this Agreement to enforce any of the provisions herein shall not be construed to be a waiver of the right of such party to enforce any such provisions.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the latest date set forth below:

BENJAMIN M. LAWSKY
Superintendent of Financial Services of
the State of New York as Conservator of
UNITED CAPITOL INSURANCE
COMPANY

Dated: 12 / 8 / 11

By: 
JONATHAN L. BING
Special Deputy Superintendent

ANDREW R. STOLFI
Acting Director of Insurance of the State
of Illinois as Liquidator of UNITED
CAPITOL INSURANCE COMPANY

Dated: 12/14/11

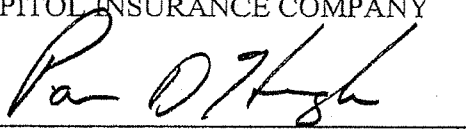
By: 
PATRICK D. HUGHES
Special Deputy Receiver

EXHIBIT “D”

SUPREME COURT OF THE STATE OF NEW YORK — NEW YORK COUNTY

PRESENT: MADDEN
Justice

PART 11

UNITED CAPITAL INSURANCE
COMPANY

INDEX NO.

401784/02

MOTION DATE

MOTION SEQ. NO.

02

MOTION CAL. NO.

RE:

The following papers, numbered 1 to _____ were read on this motion to/for _____

Notice of Motion/ Order to Show Cause — Affidavits — Exhibits ...

Answering Affidavits — Exhibits _____

Replying Affidavits _____

PAPERS NUMBERED

Cross-Motion: ☐ Yes ☒ No

Upon the foregoing papers, it is ordered that this motion is granted in the
absence of opposition and the court is signing
the proposed order submitted with the motion
papers.

FILED
MAY 21 2012
NEW YORK
COUNTY CLERK'S OFFICE

Dated: May 14, 2012

HON. JOAN A. MADDEN J.S.C.

Check one: ☒ FINAL DISPOSITION

☐ NON-FINAL DISPOSITION

Check if appropriate: ☐ DO NOT POST

☐ REFERENCE

☐ SUBMIT ORDER/ JUDG.

☐ SETTLE ORDER/ JUDG.

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE
FOR THE FOLLOWING REASON(S):

At IAS Part 11 of the Supreme Court
of the State of New York, County of
New York, at the courthouse,
60 Centre Street, in the County, City
and State of New York, on the 27
day of May, 2012.

P R E S E N T:

HON. JOAN A. MADDEN, J.S.C

-----X

In the Matter of

the Conservation of the Trust Fund of

UNITED CAPITOL INSURANCE
COMPANY.

-----X

FILED

Index No. 401784/02

ORDER

MAY 21 2012

**NEW YORK
COUNTY CLERK'S OFFICE**

-----X

Jonathan L. Bing, Special Deputy Superintendent and Agent of Benjamin M. Lawskey, the Superintendent of Financial Services of the State of New York, as conservator (the "Conservator") of a certain trust fund ("Trust Fund") established by United Capitol Insurance Company ("United Capitol"), having moved this Court for an order: (i) approving the conservation agreement executed on December 14, 2011 ("Conservation Agreement") entered into between the Conservator and Andrew R. Stolfi, Acting Director of Insurance of the State of Illinois as liquidator ("Liquidator") of United Capitol; (b) authorizing the Conservator to distribute the Trust Fund to the Liquidator in accordance with the Conservation Agreement; and (c) upon distribution of the Trust Fund to the Liquidator, in accordance with the Conservation Agreement, and the filing of a final report, the Conservator, his predecessors and successors in office, agents, attorneys and employees shall be discharged and released from all further liability arising out of this conservation proceeding and that this conservation proceeding shall be

terminated; and said motion having duly come on before this Court on the 5th day of April, 2012, and no objections having been made thereto;

UPON, reading and filing the petition of the Special Deputy, duly verified the 2nd day of February, 2012, due deliberation having been had thereon, and upon the decision of this Court, and

NOW, on motion of John Pearson Kelly, attorney for the Conservator, it is hereby

ORDERED, that the petition is granted; and it is further

ORDERED, that the Conservation Agreement is approved; and it is further

ORDERED, that the Conservator is authorized to distribute the Trust Assets to the Office Holders in accordance with the Conservation Agreement; and it is further

ORDERED, that upon distribution of the Trust Fund to the Liquidator, in accordance with the Conservation Agreement, and the filing of a final report, the Conservator, his predecessors and successors in office, agents, attorneys and employees will be discharged and released from any and all further liability arising out of this proceeding; and it is further

ORDERED, that the Conservator is hereby authorized to take further actions which, he in his discretion, deems advisable for the protection of the creditors and of the assets in his possession and for the termination of this proceeding.

FILED
MAY 21 2012
NEW YORK
COUNTY CLERK'S OFFICE

ENTER

J.S.C.

HON. JOAN A. MADDEN
J.S.C.

EXHIBIT “E”

UNITED CAPITOL INSURANCE COMPANY, IN LIQUIDATION

AFFIDAVIT OF PATRICK D. HUGHES
SPECIAL DEPUTY RECEIVER

COUNTY OF COOK)
STATE OF ILLINOIS) ss.

Patrick D. Hughes, being first duly sworn upon oath deposes and states as follows:

1. I have been appointed Special Deputy Receiver by Andrew Boron, the Director of Insurance of the State of Illinois in his capacity as Liquidator of United Capitol Insurance Company (the "Liquidator").

2. On November 14, 2001, an Order of Liquidation with a Finding of Insolvency was entered as to and against United Capitol Insurance Company ("United Capitol") by the Circuit Court of Cook County, Illinois, Case No. 01 CH 14957 (the "Supervising Court" or the "Court").

3. In my capacity as Special Deputy Receiver, I am ultimately responsible for the administration of the United Capitol estate, including, *inter alia*, asset administration and the adjudication of claims.

4. Pursuant to the applicable provisions of the Illinois Insurance Code, those persons defined as "United Capitol Policyholders" under the terms of the Conservation Agreement entered into by and between the Liquidator and the New York Conservator of United Capitol (the "Conservation Agreement") are entitled to participate in any distributions of estate assets made at priority level (d) of the Illinois statutory distribution schedule, 215 ILCS 5/205(1)(d).

5. In the United Capitol liquidation proceeding, there have been 251 timely-filed loss claims recommended for allowance and approved by the Supervising Court for distribution in the total amount of \$20,367,275. All other proofs of claim asserting loss claims at level (d) have been disallowed. None of these allowed claims constitutes a claim for the return of unearned premium.

6. On December 2, 2010, the Supervising Court entered an order approving a seventy-five percent (75%) first dividend on all timely-filed claims allowed and court approved at priority level (d) and authorized the Liquidator to make an interim distribution of United Capitol estate assets necessary to effectuate the seventy-five percent first dividend. A copy of the Court's distribution order is attached hereto as Exhibit A. Pursuant to the Court's order, the Liquidator distributed \$13,914,849 in estate assets to 247 claimants with timely-filed allowed loss claims at priority level (d). This amount does not include additional estate assets that were distributed to policyholders with claims for return of unearned premium.

7. On December 1, 2011, the Supervising Court entered an order approving a twenty-five (25%) second dividend on all timely-filed claims allowed and court approved at priority level (d) and authorized the Liquidator to make a supplementary distribution of United Capitol estate assets necessary to effectuate the twenty-five percent (25%) second dividend. A copy of the Court's supplemental distribution order is attached hereto as Exhibit B. Pursuant to the Court's order, the Liquidator distributed \$4,707,426 in estate assets to the 247 claimants with timely-filed allowed loss claims at priority level (d). Those 247 claimants have now had their respective loss claims paid in full (100%). Subsequent to the supplemental distribution, four previously unresolved loss claims were settled, recommended for allowance and approved by the Court at priority level (d). The Liquidator then paid those four claims in full (100%) in the total amount of \$1,745,000. All policyholder claims for return of unearned premium have also been paid in full.

8. As of May 31, 2012, United Capitol had unencumbered general assets in the approximate amount of \$9,516,993. In addition to these general assets, United Capitol has the following segregated assets: (1) New Mexico statutory deposit in the amount of \$120,133; (2) Massachusetts statutory deposit in the amount of \$343,681; (3) Florida statutory deposit in the amount of \$105,695; (4) South Carolina statutory deposit in the amount of \$456,325; (5) Arkansas statutory deposit in the amount of \$130,351; (6) Louisiana statutory deposit in the amount of \$159,970; (7) New Hampshire statutory deposit in the amount of \$3,025,643; and (8) New York Regulation 41 Trust Fund assets in the approximate amount of \$2,911,656. The total of all such segregated assets is \$7,253,454. United Capitol's total assets comprised of unencumbered cash and invested assets and the encumbered statutory deposits are \$16,770,447. Attached as Exhibit C are certain documents supporting the financial information stated above.¹

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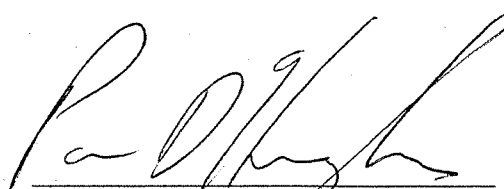
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¹ Exhibit C consists of: (i) Statement of Changes in Cash and Invested Assets for the period of October 1, 2011 through December 31, 2011; (ii) a distribution schedule filed in support of United Capitol's December 2010 interim distribution; (iii) a distribution schedule filed in support of Legion's May 2012 supplemental distribution.

9. There are no priority level (d) claimants remaining in the United Capitol estate. There are no pending objections and no unresolved timely-filed priority level (d) claims. There is no (\$0.00) exposure to the United Capitol estate for priority level (d) claims. All priority level (d) United Capitol Policyholders, as defined under the referenced Conservation agreement, have been paid in full. This includes not only loss claimants but also policyholders with claims for return of unearned premium. There are no claims to be paid utilizing the New York Regulation 41 Trust Funds. Accordingly, pursuant to Paragraph 3.1 of the Conservation Agreement the Regulation 41 Trust Funds should be distributed to the Liquidator.



PATRICK D. HUGHES

Special Deputy Receiver
Representing the Liquidator of
United Capitol Insurance Company

SUBSCRIBED AND SWORN

to before me this 7th day
of June, 2012

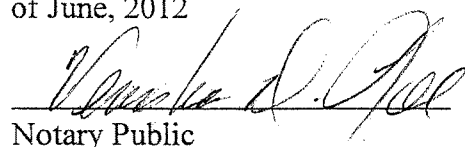
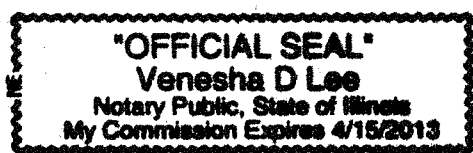

Notary Public

EXHIBIT A

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE LIQUIDATION)
OF UNITED CAPITOL INSURANCE COMPANY)

NO. 01 CH 14957

ORDER

THIS CAUSE HAVING COME BEFORE THE COURT upon the Petition of Michael T. McRaith, Director of Insurance of the State of Illinois, in his capacity as the statutory and court affirmed Liquidator ("Liquidator") of United Capitol Insurance Company ("United Capitol"), for an order authorizing the Liquidator to declare and effectuate a seventy-five percent (75%) first dividend on United Capitol Insurance Company's claims allowed for distribution at statutory priority level 215 ILCS 5/205(1)(d); due notice having been given; the Court having jurisdiction over the parties hereto and the subject matter hereof; the Court having reviewed the pleading filed herein and having heard from counsel for the Liquidator thereon, and the Court having been otherwise advised in the premises;

THE COURT FINDS:

- (i) The time period established by this Court for the timely filing of claims against United Capitol (November 14, 2002 deadline) for purposes of participating in a distribution of United Capitol's estate assets has expired.
- (ii) The Liquidator has represented that the evaluation of all claims timely-filed in the United Capitol estate at the policyholder priority level (d), 215 ILCS 5/205(1)(d), has been completed; that notice of his determination as regards those claims has been given to the claimants; that he has presented his recommendations in regards to those claims to this Court for approval (with the exception of twelve unresolved claim objections as noted in the Liquidator's instant petition); and that this Court has approved the recommended allowance of two hundred seventy-nine (279) claims totaling \$18,606,916 at statutory priority level (d), 215 ILCS 5/205(1)(d), for purposes of participating in any distribution of United Capitol's estate assets. The Liquidator has represented that all priority level (a) claims, 215 ILCS 5/205(1)(a), have been, and continue to be, paid on an ongoing basis. The Liquidator has represented that there were no timely filed allowed priority level (b) or (c) claims, 215 ILCS 5/205(1)(b) and (1)(c).
- (iii) The Liquidator has further represented that there are sufficient assets remaining in the United Capitol estate for payment of a seventy-five percent (75%) first dividend on all claims recommended for allowance and approved by this Court at statutory priority level (d), 215 ILCS 5/205(1)(d); sufficient assets to cover the potential exposure on the remaining outstanding claims at priority level (d), 215 ILCS 5/205(1)(d); and sufficient assets to pay future administrative expenses associated with the United Capitol liquidation proceedings.

IT IS, THEREFORE, ORDERED:

1. That the Liquidator's recommendation that a seventy-five percent (75%) first dividend be declared on all claims recommended for allowance and approved by order of this Court for distribution at statutory priority level 215 ILCS 5/205(1)(d) is hereby approved; and accordingly, the Liquidator's instant petition is hereby granted.
2. That the Liquidator is hereby authorized to make an interim distribution of United Capitol Insurance Company's estate assets necessary to effectuate the seventy-five percent (75%) first dividend on allowed and Court approved priority level 215 ILCS 5/205(1)(d) claims.

ENTERED: **ENTERED**

DEC 2 - 2010

JUDGE WILLIAM MAKI
CIRCUIT COURT - 1604

Judge Presiding



Dale A. Coonrod
Counsel to the Liquidator
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 1450
Chicago, Illinois 60654
(312) 836-9500
Attorney Code #16819

EXHIBIT B

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE LIQUIDATION)
OF UNITED CAPITOL INSURANCE COMPANY) NO. 01 CH 14957

ORDER

THIS CAUSE HAVING COME BEFORE THE COURT upon the Petition of Andrew R. Stolfi, Acting Director of Insurance of the State of Illinois, in his capacity as the statutory and court affirmed Liquidator ("Liquidator") of United Capitol Insurance Company ("United Capitol"), for an order authorizing the Liquidator to declare and effectuate a twenty-five percent (25%) second dividend on United Capitol Insurance Company's claims allowed for distribution at statutory priority level 215 ILCS 5/205(1)(d); due notice having been given; the Court having jurisdiction over the parties hereto and the subject matter hereof; the Court having reviewed the pleading filed herein and having heard from counsel for the Liquidator thereon, and the Court having been otherwise advised in the premises;

THE COURT FINDS:

- (i) The time period established by this Court for the timely filing of claims against United Capitol (November 14, 2002 deadline) for purposes of participating in a distribution of United Capitol's estate assets has expired.
- (ii) The Liquidator has represented that the evaluation of all claims timely-filed in the United Capitol estate at the policyholder priority level (d), 215 ILCS 5/205(1)(d), has been completed; that notice of his determination as regards those claims has been given to the claimants; that he has presented his recommendations in regards to those claims to this Court for approval (with the exception of three unresolved claim objections as noted in the Liquidator's instant petition); and that this Court has approved the recommended allowance of two hundred eighty-four (284) claims totaling \$19,860,170.78 at statutory priority level (d), 215 ILCS 5/205(1)(d), for purposes of participating in any distribution of United Capitol's estate assets. The Liquidator has represented that all priority level (a) claims, 215 ILCS 5/205(1)(a), have been, and continue to be, paid on an ongoing basis. The Liquidator has represented that there were no timely filed allowed priority level (b) or (c) claims, 215 ILCS 5/205(1)(b) and (1)(c).
- (iii) That on December 2, 2010, upon the petition of the Liquidator, this Court entered an order approving a 75% dividend and distribution of estate assets on all allowed and court approved claims at priority level 215 ILCS 5/205(1)(d). The Liquidator has represented that he thereafter mailed checks to 281 claimants in the aggregate amount of \$14,284,453.00 in accordance with the Court's distribution order.

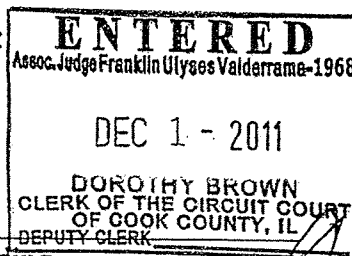
(iv) That the Liquidator has represented that three previously contested claims were recently resolved; that the Liquidator has recommended and the Court has approved the allowance of those three claims in the aggregate amount of \$745,000; that these three claims (the "Post Distribution Claims") did not participate in the December 2010 Court approved 75% interim distribution and; that these Post Distribution claims will be paid in full (100%) upon the entry of this order.

(v) The Liquidator has further represented that there are sufficient assets remaining in the United Capitol estate for payment of a twenty-five percent (25%) second dividend and supplemental distribution of estate assets on all claims recommended for allowance and approved by this Court at statutory priority level (d), 215 ILCS 5/205(1)(d); sufficient assets to pay the Post Distribution Claims in full (100%); sufficient assets to cover the potential exposure on the three remaining outstanding contested claims at priority level (d), 215 ILCS 5/205(1)(d); and sufficient assets to pay future administrative expenses associated with the United Capitol liquidation proceedings.

IT IS, THEREFORE, ORDERED:

1. That the Liquidator's recommendation that a twenty-five percent (25%) second dividend be declared on all claims recommended for allowance and approved by order of this Court for distribution at statutory priority level 215 ILCS 5/205(1)(d) is hereby approved; and accordingly, the Liquidator's instant petition in that regard is hereby granted.
2. That the Liquidator's recommendation that a one hundred percent (100%) dividend be declared on the three Post Distribution Claims recommended for allowance and approved by order of this Court for distribution at statutory priority level 215 ILCS 5/205(1)(d) is hereby approved; and accordingly, the Liquidator's instant petition in that regard is hereby granted.
3. That the Liquidator is hereby authorized to make a supplemental distribution of United Capitol Insurance Company's estate assets necessary to effectuate the above-referenced dividends on allowed and Court approved priority level 215 ILCS 5/205(1)(d) claims.

ENTERED:



Judge Presiding

Dale A. Coonrod
Counsel to the Liquidator
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 1450
Chicago, Illinois 60654
(312) 836-9500
Attorney Code #16819

EXHIBIT C

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

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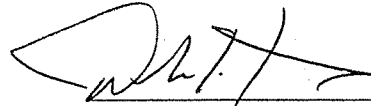
IN THE MATTER OF THE LIQUIDATION OF
UNITED CAPITOL INSURANCE COMPANY

NO. 01 CH 14957

NOTICE OF FILING

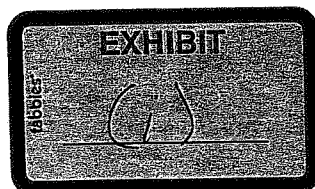
To: See Attached Service List

YOU ARE HEREBY NOTIFIED that on May 1, 2012, the Liquidator filed, pursuant to 215 ILCS 5/202(D)(1) (1998), with the Clerk of the Circuit Court of Cook County, Illinois, the attached Liquidator's Statement of Changes in Cash and Invested Assets for the period of October 1, 2011 through December 31, 2011.



Counsel to the Liquidator

J. Kevin Baldwin
Dale A. Coonrod
Counsel to the Liquidator
222 Merchandise Mart Plaza, Suite 1450
Chicago, Illinois 60654
(312) 836-9500
Attorney Code #16819



SERVICE LIST

UNITED CAPITOL INSURANCE COMPANY
(Case No. 01 CH 14957)

COURTESY COPY TO:

THE HONORABLE JUDGE FRANKLIN U. VALDERRAMA
ROOM 2305
THE RICHARD J. DALEY CENTER
50 WEST WASHINGTON STREET
CHICAGO, ILLINOIS 60602

UNITED CAPITOL INSURANCE COMPANY
LIQUIDATION DATE NOVEMBER 14, 2001
STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS
OCTOBER 1 THROUGH DECEMBER 31, 2011

	CURRENT PERIOD	YEAR TO DATE
Beginning Cash & Invested Assets	\$ 17,641,736	\$ 17,468,734
Cash Receipts:		
Investment Income (Note 1)	\$ 296,370	\$ 458,676
Gain from Partnership Interest	-	203,668
Gain or Loss on Sale of Investment	-	121
Reinsurance Receipts (Note 2)	328,801	493,643
Release of Statutory Deposit	-	475,000
Total Cash Receipts	<u>\$ 625,171</u>	<u>\$ 1,631,108</u>
Cash Disbursements:		
Salaries	\$ 124,513	\$ 397,618
Professional Fees:		
Legal Fees & Expenses (Note 3)	14,768	180,074
Audit Fees (Note 4)	(802)	9,404
Consulting Fees (Note 5)	39	824
Compensation:		
Employee Benefits	26,871	100,160
Payroll and Other Taxes	7,325	34,268
Other Expenses of Administration of Company and its Property:		
Loss and Loss Adjustment Expense (Note 6)	5,961,285	5,904,983
Rent and Rent Items	20,428	75,310
Equipment Expenses	63	63
Travel and Travel Items	286	621
Postage and Freight	1,651	3,400
Office Expenses	2,257	6,924
Data Processing	5,134	17,114
Investment Expenses	2,863	7,048
Interest Expense	-	(515)
Other Expenses	751	11,806
Federal Income Tax	(35,998)	214,002
All Other Disbursements:		
Early Access Distribution	4,656	5,921
Total Cash Disbursements	<u>\$ 6,136,090</u>	<u>\$ 6,969,025</u>
Ending Cash & Invested Assets	<u>\$ 12,130,817</u>	<u>\$ 12,130,817</u>

UNITED CAPITOL INSURANCE COMPANY
LIQUIDATION DATE NOVEMBER 14, 2001
NOTES TO STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS
OCTOBER 1 THROUGH DECEMBER 31, 2011

1. Investment Income

Investment Income includes \$307,740 income and an amortization adjustment of (\$11,370) for a net of \$296,370. The line item does not include \$26,909 accrued interest earned but not paid as of December 31, 2011.

2. Reinsurance Receipts

American Re-Insurance Company	221,410
Risk Capital Reinsurance Company	41,654
Everest Reinsurance Company	31,417
Zurich Reinsurance (North America), Inc.	14,800
Hannover Rueckversicherung AG	7,394
Kemper Reinsurance Company	5,283
Sorema North America Reinsurance Co.	2,631
Odyssey America Reinsurance Corporation	2,500
North Star Reinsurance Corporation	1,161
San Francisco Reinsurance Company	322
Employers Reinsurance Company	219
Tokio Marine & Fire Insurance Company Ltd	10
Total Reinsurance Receipts	<u><u>\$ 328,801</u></u>

3. Legal Fees & Expenses

Thompson Coburn LLP	<u>\$ 14,768</u>
Total Legal Fees & Expenses	<u><u>\$ 14,768</u></u>

4. Audit Fees

Represents the company's share of a refund received from Merrill Lynch of fees for the 2011 audit of the Office of the Special Deputy Receiver's savings and investment plan.

5. Consulting Fees

Professional Staffing Services	<u>\$ 39</u>
Total Consulting Fees	<u><u>\$ 39</u></u>

6. Loss and Loss Adjustment Expense

This amount represents a 25% second dividend distribution on timely filed claims allowed at priority level (d) of the statutory asset distribution schedule. All timely filed and allowed claims at priority level (d) have now been paid in full.

UNITED CAPITOL INSURANCE COMPANY
LIQUIDATION DATE NOVEMBER 14, 2001
STATEMENT OF CASH AND INVESTED ASSETS
DECEMBER 31, 2011

	Market Value	Book Value
Unencumbered Cash and Invested Assets		
Cash	\$ 128,405	\$ 128,405
Money Market	4,997,329	4,997,329
U.S. Government Obligations	7,265,386	7,005,083
Total Unencumbered Cash and Invested Assets	<u>\$ 12,391,120</u>	<u>\$ 12,130,817</u>
Encumbered Cash and Invested Assets		
Escrow Accounts (1)		\$ 907,784
Statutory Deposits (2)		6,617,379
Total Encumbered Cash and Invested Assets		<u>\$ 7,525,163</u>
Total Cash and Invested Assets		<u>\$ 19,655,980</u>

1. Escrow Cash and Investments:

Sun Trust	\$ 115,176
Self Insured Recovery (SIR) retention fund with various insurers	
Sun Trust	76,072
Surety Collateral Fund being held by Sun Trust for Antaeus Energy Company	
Bank of America	97,172
United Capitol Insurance Co. In Liquidation / Clarendon	
Bank of America	343,682
United Capitol Insurance Co. In Liquidation - Fund being held for the benefit of Massachusetts claimants	
Bank of America	119,489
United Capitol Insurance Co. In Liquidation - Fund held for the benefit of New Mexico claimants	
Bank of America	156,193
United Capitol Insurance Co. In Liquidation - Fund held for the benefit of Louisiana claimants	

Total	<u>\$ 907,784</u>
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UNITED CAPITOL INSURANCE COMPANY
LIQUIDATION DATE NOVEMBER 14, 2001
STATEMENT OF CASH AND INVESTED ASSETS
DECEMBER 31, 2011

2. Represents funds which are under the direct control of state insurance departments or related entities.

Arkansas	\$ 131,949
Florida	101,170
New Hampshire	3,025,164
New York	2,915,123
South Carolina	443,973
Total	<u>\$ 6,617,379</u>

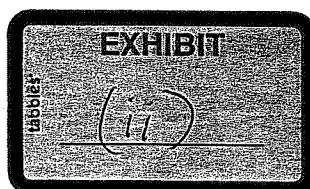
UNITED CAPITOL INSURANCE COMPANY
PROPOSED PRIORITY LEVEL D DISTRIBUTION
DECEMBER 2010

UNRESTRICTED CASH & INVESTED ASSETS MARKET VALUE @ 11/19/10	\$31,858,706
<u>PRIORITY LEVEL D CLAIMS</u>	
COURT APPROVED LOSS CLAIM ALLOWANCES	18,114,021
COURT APPROVED UNEARNED PREMIUM CLAIM ALLOWANCES	492,895
TOTAL PRIORITY LEVEL D COURT APPROVED CLAIM ALLOWANCES	<u>18,606,916</u>
PROPOSED DIVIDEND DISTRIBUTION RATE	75.00%
PROPOSED PRIORITY LEVEL D DISTRIBUTION	<u>13,955,187</u>
REMAINING UNRESTRICTED CASH & INVESTED ASSETS AVAILABLE	<u><u>17,903,519</u></u>

GUARANTY FUND PAYMENT & RESERVE SUMMARY

GUARANTY FUND LEVEL A CLAIMS REPORTED FROM 11/14/01 - 06/30/10	1,370,259
LESS EARLY ACCESS DISTRIBUTIONS APPLIED TOWARD LEVEL A	<u>1,370,259</u>
TOTAL UNPAID LEVEL A CLAIMS	0

GUARANTY FUND LEVEL D CLAIMS REPORTED FROM 11/14/01 - 06/30/10	2,475,710
LESS EARLY ACCESS DISTRIBUTIONS APPLIED TOWARD LEVEL D	<u>2,475,710</u>
TOTAL UNPAID LEVEL D CLAIMS	0



UNITED CAPITOL INSURANCE COMPANY
 PROPOSED PRIORITY LEVEL D DISTRIBUTION
 NOVEMBER 2011

UNRESTRICTED CASH & INVESTED ASSETS MARKET VALUE @ 11/11/11	17,528,760
<u>PRIORITY LEVEL D CLAIMS</u>	
TOTAL PRIORITY LEVEL D COURT APPROVED CLAIM ALLOWANCES	19,860,171
PROPOSED DIVIDEND DISTRIBUTION RATE	100.00%
PROPOSED PRIORITY LEVEL D DISTRIBUTION EXCLUDING PRIOR DISTRIBUTIONS	19,860,171
LESS PRIOR DISTRIBUTIONS PAID @ 75% DIVIDEND DISTRIBUTION RATE	14,284,453
PROPOSED PRIORITY LEVEL D DISTRIBUTION	5,575,718
REMAINING UNRESTRICTED CASH & INVESTED ASSETS	11,953,042

GUARANTY FUND PAYMENT & RESERVE SUMMARY

PRIORITY LEVEL A

GUARANTY FUND LEVEL A CLAIMS REPORTED FROM 11/14/01 - 09/30/11	1,674,054
LESS EARLY ACCESS DISTRIBUTIONS & SPECIAL DEPOSIT PROCEEDS APPLIED TOWARD LEVEL A	1,674,054
TOTAL UNPAID LEVEL A CLAIMS	0
GUARANTY FUND LOSS ADJUSTMENT EXPENSE/ADMIN EXPENSE RESERVES @ 09/30/11	25,698

PRIORITY LEVEL D

GUARANTY FUND LEVEL D CLAIMS PAID FROM 11/14/01 - 09/30/11	2,475,710
LESS EARLY ACCESS DISTRIBUTIONS APPLIED TOWARD LEVEL D	2,471,054
TOTAL UNPAID LEVEL D CLAIMS	4,656
GUARANTY FUND LOSS RESERVES @ 09/30/11	10,000
GUARANTY FUND UNEARNED PREMIUM RESERVES @ 09/30/11	0

TOTAL GUARANTY FUND EXPOSURE @ 9/30/11 - ALL LEVELS	40,354
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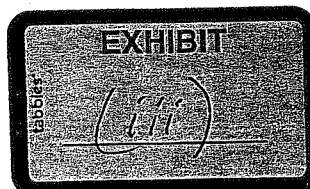


EXHIBIT “F”

UNITED CAPITOL INSURANCE COMPANY
IN CONSERVATION
COMPARATIVE BALANCE SHEET

Conservation Date - June 14, 2002

	July 19, 2012	June 14, 2002
ASSETS		
CASH AND INVESTED ASSETS		
Cash and Equivalents	-	\$ 1,954,354
Bonds	-	600,000
Total Cash and Invested Assets	-	2,554,354
TOTAL ASSETS	-	\$ 2,554,354

LIABILITIES		
TOTAL LIABILITIES	-	-
SURPLUS	-	\$ 2,554,354
TOTAL LIABILITIES AND SURPLUS	-	\$ 2,554,354

UNITED CAPITOL INSURANCE COMPANY
IN CONSERVATION
STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS

		Inception to July 19, 2012
Receipts:		
	Investment Income	\$ 495,500
Total Receipts		495,500
Disbursements:		
	Transfer to Liquidator	2,903,697
	Salaries	49,905
	Employee Relations & Welfare	17,633
	Rent and Related Expenses	11,554
	Professional Fees	12,572
	General and Administrative Expenses	15,155
	Other Expenses	39,338
Total Disbursements		3,049,854
Net Increase (Decrease)		(2,554,354)
BEGINNING CASH AND INVESTED ASSETS - JUNE 14, 2002		2,554,354
ENDING CASH AND INVESTED ASSETS - JULY 19, 2012		\$ -

Index No. 401784

Year 2002

SUPREME COURT OF THE STATE OF NEW YORK COUNTY OF NEW YORK

In the Matter of

the Conservation of the Trust Funds of

UNITED CAPITOL INSURANCE COMPANY

ORDER TO SHOW CAUSE AND VERIFIED PETITION

(Close Proceeding)

JOHN PEARSON KELLY

Attorney for the Superintendent of Financial Services of the State of New York as Conservator

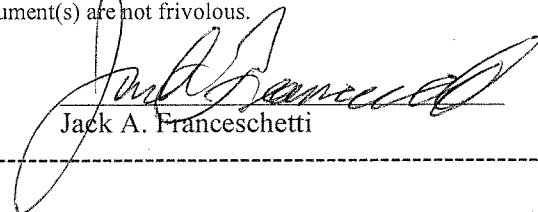
Office and Post Office Address, Telephone

New York Liquidation Bureau
110 William Street
New York, NY 10038
(212) 341-6755
Fax (212) 608-3398

ATTORNEY CERTIFICATION

The undersigned, an attorney admitted to practice in the courts of New York State, certifies that, upon information, belief and reasonable inquiry, the contentions in the above referenced document(s) are not frivolous.

Dated: November 26 2012
New York, New York


Jack A. Franceschetti

☐ NOTICE OF ENTRY

that the within is a (*certified*) true copy of a
duly entered in the office of the clerk of the within named court on the day of 20

☐ NOTICE OF SETTLEMENT

that an order
settlement to the HON.

of which the within is a true copy will be presented for
one of the judges of the within named court, at
20 at

Dated:

, on

Yours, etc.

JOHN PEARSON KELLY

Attorney for the Superintendent of Financial Services
of the State of New York as Conservator

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