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COMMON PLEAS COURT
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FRANKLIN COUNTY, OHIO
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IN THE COURT OF COMMON PLEAS
FRANKLIN COUNTY, OHIO

GEORGE FABE :
Superintendent of Insurance :
of the State of Ohio, as :
Rehabilitator of The Oil & :
Gas Insurance Company :
2100 Stella Court :
Columbus, Ohio 43266-0566 :

Plaintiff, :

-vs- :

THE OIL & GAS INSURANCE :
COMPANY :
101 Green Meadows Drive South :
P.O. Box 1839 :
Columbus, Ohio 43216 :

Defendant. :

CASE NO. 90 CVH-05-3409

JUDGE MCGRATH

ORDER AND JUDGMENT ENTRY
ON PLAINTIFF'S MOTION FOR LIQUIDATION

This cause came on for hearing before this Court, on August 20, 21, and 22, on the Motion For Liquidation of The Oil & Gas Insurance Company ("Motion"), filed by the Superintendent of Insurance of the State of Ohio, pursuant to R.C. 3903.16(A) and upon Memorandum Contra and Opposition to the Motion For Liquidation of The Oil & Gas Insurance Company, filed by Clive Becker-Jones, as the alleged sole director of The Oil & Gas Insurance Company ("OGICO") and as the president of Petrosurance Incorporated, OGICO's sole shareholder. Plaintiff appeared by and through Special Counsel appointed by the Attorney General of Ohio, Anthony J. Celebrezze, Jr. Clive Becker-Jones, as OGICO's alleged sole director and as president of Petrosurance Incorporated, OGICO's sole shareholder, was represented by Vorys, Sater, Seymour & Pease.

In addition to and consistent with their opposition to the Motion for Liquidation, Becker-Jones and Petrosurance, Inc. proposed a Plan of Rehabilitation (the "Plan") to the Court and submitted testimony and evidence through Becker-Jones in support of the Plan, as an alternative to the liquidation.

Plaintiff Rehabilitator presented evidence and testimony contesting the viability and adequacy of the Plan to address and resolve the insolvency of OGICO, which insolvency had been stipulated to by Becker-Jones, Petrosurance, Incorporated and Plaintiff. Said Stipulation is a part of the record and is adopted and incorporated as if fully rewritten herein.

Plaintiff Rehabilitator further presented testimony and evidence in support of his Motion for Liquidation, through witnesses John Majors, Edward Bobb and Dana Rudmose.

Upon the close of the evidence, each side was asked to propose Findings of Fact and Conclusions of Law. The Court has recorded its decision on the merits in its adopted Findings of Fact and Conclusions of Law incorporated by reference herein.

Therefore the Court finds that:

1. Defendant, The Oil & Gas Insurance Company (hereinafter referred to as "OGICO") is licensed under the laws of the State of Ohio as domestic stock, fire and casualty insurance company, has done business in Ohio, and is subject to the provisions of R.C. Chapters 3903.

2. Defendant OGICO is in such condition that further attempts to rehabilitate would substantially increase the risk of loss to its policyholders, creditors or the public or would be futile, as described in R.C. 3903.16(A).

3. Defendant OGICO is insolvent as defined in R.C. 3903.01(K).

4. Defendant OGICO, its policyholders, officers, directors, agents, employees, partners, representatives and those acting in concert with it should be enjoined and restrained from conducting, operating or engaging in the business of insurance or any other business of Defendant OGICO under any charter, permit, license, registration, certificate of authority, power or privilege of Defendant OGICO, and that all banks, savings and loan associations, corporations, depositors, employers' welfare, trusts, unions, agents or other legal entities should be enjoined and restrained from removing or disposing of any of the assets, books, records or property of Defendant OGICO, or of any debt or claim owed to, by or for said Defendant, without the express written authorization of the Liquidator.

5. Without the appointment of a Liquidator, Defendant OGICO is not in a condition to continue its insurance business and may cause harm to the interests of its policyholders, creditors, or the public in general, and that unless restrained, Defendant OGICO will be forced to operate in a condition contrary to the best interests of Defendant OGICO's policyholders, creditors, and the general public.

6. Without the appointment of a Liquidator, the assets of Defendant OGICO may become dissipated, causing irreparable and immediate injury to the policyholders, Defendant OGICO's creditors and the general public.

It is hereby ORDERED, ADJUDGED and DECLARED as follows:

1. Sufficient cause exists for the liquidation of Defendant OGICO. Plaintiff's Motion for an Order for Liquidation is well taken and is hereby granted. Defendant is ordered into liquidation pursuant to Ohio Revised Code Chapter 3903.

2. George Fabe, Superintendent of Insurance for the State of Ohio, and his successors in office, is appointed Liquidator of Defendant OGICO, for the purpose of the liquidation of Defendant OGICO pursuant to the provisions of R.C. Chapter 3903. Further, the Liquidator has appointed Lynne Hengle as Chief Deputy Liquidator, and Timothy O'Leary and Richard Clayton as Deputy Liquidators in accordance with R.C. 3903.21.

3. The Liquidator shall forthwith take possession of all assets and property of Defendant OGICO, of every kind whatsoever and wherever located, whether in the possession of Defendant OGICO or its officers, directors, employees, consultants, attorneys, agents, parents, subsidiary or affiliated corporations or those acting in concert with any of these persons, including, but not limited to, all property, offices maintained by OGICO, contracts, deposits, securities, rights of action, accounts, documents, papers, evidences of debt, bonds, debentures, mortgages, furniture, fixtures, office supplies, safe deposit boxes and books and records

of Defendant OGICO, wherever located, and administer them under the general supervision of this Court.

4. The Liquidator shall and is hereby vested by operation of law with the title to all property, deposits, securities, contracts, rights of action, accounts, documents, papers, evidences of debt, bonds, debentures, mortgages, furniture, fixtures, office supplies, books, records and other assets of Defendant OGICO wherever located as of the date of the entry of this Order of Liquidation and is authorized to deal with same in his own name as Liquidator.

5. The Liquidator is directed to liquidate the assets of OGICO, including but not limited to, funds held by OGICO's agents, subagents, producing agents, brokers, reinsurers and reinsurance pools, solicitors, reinsurers and reinsurance pools, service representatives, or others under agency contracts or otherwise, which are due and unpaid to Defendant OGICO, including premium, unearned commissions, agents' balances and agents' reserve funds.

6. The Liquidator is vested with the right, title and interest in all funds recoverable under the treaties, contracts and agreements of reinsurance heretofore entered into by Defendant OGICO, as the ceding insurer, and that all reinsurance companies involved with Defendant OGICO are restrained from making any settlements with any claimant or policyholder other than the Superintendent as Liquidator, without the written permission or consent of the Liquidator.

7. The Liquidator is authorized to take such action as he considers necessary or appropriate to liquidate Defendant OGICO, including but not limited to the following:

(a) Appoint one or more special deputies to act for him under Sections 3903.01 to 3903.59 of the Revised Code, and determine the deputies' reasonable compensation. Special deputies have all the powers of the Liquidator and shall serve at the pleasure of the Liquidator;

(b) Employ employees and agents, actuaries, accountants, appraisers, consultants and such other personnel as he may consider necessary to assist in the liquidation;

(c) Fix the reasonable compensation of employees and agents, actuaries, accountants, appraisers and consultants with the approval of the Court;

(d) Pay reasonable compensation to persons appointed and defray from the funds or assets of Defendant OGICO all expenses of taking possession of, conserving, conducting, liquidating, disposing of or otherwise dealing with the business and property of the insurer. In the event that the property of the insurer does not contain sufficient cash or liquid assets to defray the costs incurred, the Superintendent of Insurance may advance the costs so incurred out of any appropriation for the maintenance of the Department of Insurance. Any amounts so advanced for expenses of administration shall be repaid to the Superintendent for the use of the Department out of the first available money of Defendant OGICO;

(e) Hold hearings, subpoena witnesses to compel their appearance, administer oaths, examine any person under oath and compel any person to subscribe to his testimony after it has been correctly reduced to writing, and in connection therewith require the production of any books, papers, records or other documents which he considers relevant to the inquiry;

(f) Collect all debts and monies due and claims belonging to insurer, wherever located. For this purpose, the Liquidator may do any of the following:

(i) Institute timely actions in other jurisdictions, in order to forestall garnishment and attachment proceedings against such debts;

(ii) Do such other acts as are necessary or expedient to collect, conserve or protect its assets or property, including the power to sell, compound, compromise or assign debts for purposes of collection upon such terms and conditions as he considers best;

(iii) Pursue any creditors' remedies available to enforce his claims,

(g) Conduct public or private sales of the property of Defendant OGICO.

(h) Use assets of the estate of Defendant OGICO to transfer policy obligations to a solvent assuming insurer, if the transfer can be arranged without prejudice to applicable priorities under R.C. 3903.42;

(i) Acquire, hypothecate, encumber, lease, improve, sell,

transfer, abandon or otherwise dispose of or deal with, any property of Defendant OGICO at its market value or upon such terms and conditions as are fair and reasonable. The Liquidator may execute, acknowledge and deliver any and all deeds, assignments, releases and other instruments necessary or proper to effectuate any sale of property or other transaction in connection with the liquidation;

(j) Borrow money on the security of Defendant OGICO's assets or without security and to execute and deliver all documents necessary to that transaction for the purpose of facilitating the liquidation;

(k) Enter into such contracts as are necessary to carry out this Order to Liquidate, and to affirm or disavow any contract to which Defendant OGICO is a party;

(l) Continue to prosecute and to commence in the name of Defendant OGICO or in his own name any and all suits and other legal proceedings, in this state or elsewhere, and to abandon the prosecution of claims he considers unprofitable to pursue further; if Defendant OGICO is dissolved under R.C. 3903.20, to apply to any court in this state or elsewhere for leave to substitute himself for Defendant OGICO as plaintiff;

(m) Prosecute any action which may exist on behalf of the creditors, members, policyholders or shareholders of Defendant OGICO against any officer of Defendant OGICO or any other person;

(n) Remove any or all records and property of Defendant OGICO to the offices of the Superintendent or to such other place as may

be convenient for the purposes of efficient and orderly execution of the liquidation. Guaranty associations and foreign guaranty associations shall have such reasonable access to the records of Defendant OGICO as is necessary for them to carry out their statutory obligations;

(o) Deposit in one or more banks in this state such sums as are required for meeting current administration expenses;

(p) Invest all sums not currently needed, unless the Court orders otherwise;

(q) File any necessary documents for record in the office of any recorder of deeds or record office in this state or elsewhere where property of Defendant OGICO is located;

(r) Assert all defenses available to Defendant OGICO as against third persons, including, but not limited to, statutes of limitation, statutes of frauds and the defense of usury. A waiver of any defense by Defendant OGICO after a complaint in liquidation has been filed does not bind the Liquidator. Whenever a guaranty association or foreign guaranty association has an obligation to defend any suit, the Liquidator shall give precedence to such obligation and may defend only in the absence of a defense by such guaranty association;

(s) Exercise and enforce all the rights, remedies and powers of any creditor, shareholder, policyholder, including any power to avoid any transfer or lien that may be given by the general law and that is not included under R.C. 3903.26 to R.C. 3903.28;

(t) Enter into agreements with any receiver, conservator, rehabilitator, liquidator, or superintendent of any other state relating to the rehabilitation, liquidation, conservation or dissolution of an insurer doing business in both states;

(u) Exercise all powers now held or hereafter conferred upon receivers, conservators, rehabilitators, or liquidators by the laws of this state not inconsistent with the provisions of R.C. 3903.01 to R.C. 3903.59;

(v) Take possession of all of OGICO's securities and deposits filed or on deposit with Plaintiff;

(w) Collect all debts and money due and claims belonging to Defendant OGICO, wherever located, which are economically feasible to collect;

(x) The enumeration of the above described powers and authority of the Liquidator shall not be construed as a limitation upon him, nor shall it exclude in any manner his right to do such other acts not herein specifically enumerated, or otherwise provided for, as may be necessary or appropriate for the accomplishment of or in aid of the purpose of liquidation.

8. The Liquidator is hereby granted and given all powers and authority under any and all statutes and under the common law of this state authorizing the appointment of Insurance Liquidators, and, particularly, be and hereby is granted and given all powers and authority contained in R.C. Chapter 3903, including, without limitation, those enumerated herein.

9. All officers, directors, trustees, employees, agents of Defendant OGICO or any other person, firm, association,

partnership, corporation or other entity in charge of any aspect of Defendant OGICO's affairs, including but not limited to, insurers, providers, banks, savings and loan associations, financial or lending institutions, brokers, stock or mutual associations, or any parent, holding company, subsidiary or affiliated corporation or any other representative acting in concert with Defendant OGICO, shall cooperate with the Liquidator in the performance of his duties. The directive of "to cooperate" shall include, but not be limited to, a duty to do both of the following as required by law:

(a) Reply promptly in writing to any inquiry from the Liquidator requesting such a reply; and

(b) Make available to the Liquidator any books, accounts, documents, agreements, records, information or property of, or pertaining to, Defendant OGICO in his possession, custody or control.

10. No policyholder, officer, director, employee, consultant, attorney, parent, subsidiary or affiliated corporation, partner, agent, representative of Defendant OGICO or any other person acting in concert with Defendant OGICO, shall obstruct or interfere with the Liquidator in the conduct of his duties as Liquidator, and these persons are hereby restrained, except under the express authorization of the Liquidator or by the further order of this Court, from doing, operating and conducting the business of insurance of Defendant OGICO under any charter, permit, license, power or privilege, belonging to or heretofore issued by or to said Defendant OGICO, and from in any manner conducting, doing or engaging in the business of insurance on behalf of Defendant OGICO;

from dealing with or permitting to be done any action which might waste or dispose of the property or assets of OGICO; from disposing of, using, transferring, selling, assigning, cancelling, hypothecating or concealing in any manner or in any way, any books, records, equipment, money, accounts receivable, stocks, bonds, assets, notes, funds or any other property or other assets of Defendant OGICO, whether real, personal or mixed, or of any kind or nature, wherever situated, including any claims or causes of action that Defendant might have against any person, firm, association or corporation, belonging to, owned by, in the possession of, or claimed by Defendant OGICO; and disposing of any account, debt, deposit, share account, trust account, or any other asset owned, owed to, or held for the benefit of Defendant OGICO, or any account held individually, jointly, or severally, for Defendant OGICO, whether such account, debt, deposit, share account, trust account, or any other assets owned or held for such Defendant in the name of or for the benefit of Defendant OGICO or under any other name.

11. All officers, directors, employees, agents, servants, representatives of Defendant OGICO and those acting in concert with Defendant OGICO, shall, by sworn written statement, upon the request of the Liquidator, inform the Liquidator of the nature, description and location of all assets or other property of Defendant OGICO not located on the premises of Defendant OGICO, including, but not limited to, all bank accounts, safe deposit boxes, safes, stock certificates, bonds, certificates of deposit, cash, security or any other property, real, personal, or mixed, and

these persons are specifically ordered and enjoined from disposing of, using or concealing in any manner or in any way any of the assets, books, property, records or reports of Defendant OGICO, except under the express authorization of the Liquidator or by the further order of this Court.

12. All banks, savings and loan associations, trust companies or any other persons, firms, corporations, associations, depositories, employers, unions, brokerage houses, welfare trusts, or other legal entities, are hereby restrained as follows:

(a) From disposing of, using, releasing, transferring, withdrawing, allowing to be withdrawn or concealing in any manner or in any way any of the property or assets of Defendant OGICO, of any kind or nature whatsoever, wherever situated, or from disposing of any account, debt, deposit, share account, trust account, or any other asset owned, owed to or held for the benefit of Defendant OGICO or any account, debt, share account, trust account, or other assets owned or held individually, jointly, or severally, for Defendant OGICO, whether such account, debt, deposit, share account, trust account, or any other asset owned or held for such Defendant, in the name of or for the benefit of said Defendant or under any other name, except under the express written authorization of the Liquidator or by the further order of this Court.

(b) From doing anything, directly or indirectly, to prevent the Liquidator from gaining access to, acquiring, examining or investigating any books, documents or records pertaining to or

concerning Defendant OGICO or its affairs, under whatever name such books, documents or records may be filed or found or wheresoever such books, documents or records may be found or situated.

(c) From interfering in any way with the lawful acts of the Liquidator who has been appointed herein or from disposing of, converting, dissipating, or concealing in any manner or in any way any of the assets, books, property, records, or reports of Defendant OGICO.

13. The Liquidator shall take all steps necessary to place all bank accounts, stock certificates, securities, certificates of deposit and other financial instruments of Defendant OGICO into his own name, and shall use any accounts of Defendant OGICO as an operating fund for the liquidation of Defendant OGICO, and shall keep a true and correct account of any and all receipts or expenditures which he shall make as Liquidator in the course of the liquidation of said business.

14. All agents, brokers, premium finance companies, or any other persons responsible for the payment of a premium and unearned commission, as shown on the records of Defendant OGICO, shall pay to the Liquidator any unpaid earned premiums or unearned commissions due Defendant OGICO at the time of the entry of this Order.

15. All agents and brokers of Defendant OGICO are enjoined from returning any unearned premiums, or any money in their possession collected for premiums to policyholders, and all premium

finance companies which have entered into contracts to finance a premium for a policy which has been issued by Defendant OGICO are enjoined from returning any such premiums or any money in their possession and that such agents, brokers and premium finance companies shall turn over all such funds in their possession to the Superintendent as Liquidator.

16. Defendant OGICO and its respective officers, directors, agents and employees and all other persons are enjoined from bringing or further prosecuting any action or claim for relief, counterclaim, setoff, cross claim, third party complaint, or otherwise, at law or in equity or other proceeding against Defendant OGICO or the Liquidator, or from in any way interfering with the Liquidator's conduct of the business of Defendant OGICO, or from obtaining preferences, judgements, attachments, or other like liens or the making of any levy against Defendant OGICO or its property and assets while in possession and control of the Liquidator, or from in any way interfering with the Liquidator in his possession or control of or in his right, title and interest to the property, books, records and all other assets of Defendant OGICO.

17. No civil action shall be commenced against Defendant OGICO or Liquidator, whether in this state or elsewhere, nor shall any such existing actions be maintained or further prosecuted after the entry of this Order. Whenever in the Liquidator's judgment, protection of the estate of Defendant OGICO necessitates intervention in an action against Defendant OGICO that is pending

outside this state, he may intervene in the action. The Liquidator may defend any action in which he intervenes under this section at the expense of the estate of Defendant OGICO.

18. The Liquidator is authorized to, upon or after this Order for Liquidation, within two years or such time in addition to two years as applicable law may permit, commence an action or proceeding on behalf of the estate of Defendant OGICO upon any cause of action against which the period of limitation fixed by applicable law has not expired at the time of the filing of Plaintiff's Motion for an Order of Liquidation. Where, in any agreement, a period of limitation is fixed for commencing a suit or proceeding upon any claim, or for filing any claim, proof of claim, proof of loss, demand, notice or the like, or where in any proceeding, judicial or otherwise, a period of limitation is fixed, either in the proceeding or by applicable law, for taking any action, filing any claim or pleading, or doing any action, and where in any such case the period has not expired at the date of the filing of the Motion for an Order of Liquidation, the Liquidator may, for the benefit of Defendant OGICO, take any such action or do any such act, required of or permitted to Defendant OGICO within a period of one hundred eighty days subsequent to the entry of this Order for Liquidation, or within such further period as is shown to the satisfaction of the Court not to be unfairly prejudicial to the other party.

19. Any guaranty association or foreign guaranty association shall have standing to appear in any court proceeding concerning

the liquidation of Defendant OGICO if such association is or may become liable to act as a result of the liquidation.

20. All persons, including policyholders, obligees, principals, creditors, stockholders of Defendant OGICO and all persons asserting claims against such policyholders, are enjoined from instituting or pursuing any action or proceeding in any court or before any administrative agency, including boards and commissions administering workmen's compensation or occupational diseases or similar laws of the State of Ohio or of any other states, or of the United States, which seeks in any way, directly or indirectly, to contest or interfere with the Superintendent's exclusive right, title and interest to funds recoverable under treaties and agreements of reinsurance heretofore entered into by Defendant OGICO as the ceding insurer.

21. All insurance policies, bonds, and other similar obligations or contracts of Defendant OGICO now in force, with the exception of certain policies and/or claims relating to health and accident policies, shall stand canceled as of the 30th day after the date of the Entry of this Order of Liquidation, except that those policies, surety bonds or other similar obligations or contracts with normal expiration dates prior thereto and policies terminated by subscribers or enrollees, or lawfully canceled by Defendant OGICO before such date, shall stand canceled as of such earlier date.

22. The Liquidator is authorized to cancel all executory contracts, except the contracts of insurance, surety bonds, and

other similar obligations and contracts which are cancelable as provided in Paragraph 21, herein, and all liability thereunder shall cease and be fixed as of the date of the Entry of this Order of Liquidation, except as provided in R.C. 3903.19 and 3903.37, and that such impending cancellations shall not be treated as anticipatory or other breach of contracts.

23. The Liquidator shall have the power and authority under R.C. 3903.26; 3903.27 and 3903.28 to avoid fraudulent or preferential transfers.

24. The Liquidator is hereby authorized to do all other things permitted by law to effectuate the Liquidation of Defendant OGICO.

25. All third persons dealing with interests in real property or other property of Defendant OGICO are charged with notice of this order as provided in R.C. 3903.18(A).

26. The Liquidator is directed to give or cause to be given notice of this Liquidation Order as required by R.C. 3903.22.

27. Upon the issuance of this Order, the rights and liabilities of Defendant OGICO and of its policyholders, creditors, and all other parties interested in the estate of Defendant OGICO shall become fixed as of the date of this Order, except as provided in R.C. 3903.37.

28. George Fabe, the Superintendent of Insurance, State of Ohio, or any successor in office as Superintendent, is hereby authorized, permitted and allowed to sell, assign and transfer the Corporate Charter of Defendant OGICO and any and all insurance

licenses or certificates of authority held by Defendants in such a method and manner as may be approved by this Court.

29. This Court requests that, in all actions or proceedings pending or hereafter filed outside of the State of Ohio, involving Defendant OGICO, full faith and credit be given to this Order.

30. This Court shall retain jurisdiction in this case for the purpose granting such other and further relief as the nature of this case or in the interests of the policyholders, creditors, stockholders or the members of the public may require.

IT IS SO ENTERED THIS 30 DAY OF AUGUST, 1990.



JUDGE McGRATH

Notices to:

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