

IN THE COURT OF COMMON PLEAS
FRANKLIN COUNTY, OHIO

MARY TAYLOR,
Superintendent of Insurance
Ohio Department of Insurance
50 West Town Street, Suite 300
Columbus, Ohio 43215,

Plaintiff,

vs.

HOME VALUE INSURANCE COMPANY
250 West Street, Suite 275
Columbus, Ohio 43215

Defendant.

CASE NO. 12 CV 010970

JUDGE Hogan

AGREED ORDER APPOINTING REHABILITATOR

This cause came before this Court on the complaint of Mary Taylor, Superintendent of Insurance of the State of Ohio, pursuant to R.C. 3903.12(A) and (B). Plaintiff appeared by and through the Office of the Ohio Attorney General. Defendant Home Value Insurance Company (hereinafter referred to as Defendant or "HVIC") appeared by and through counsel.

After having heard and considered the facts set forth in Plaintiff's complaint, this Court finds that the law and facts are as Plaintiff has alleged in her complaint and that there exists a present and urgent necessity for the immediate entry of this Order.

This Court further finds that:

1. This Court has personal jurisdiction over the Defendant. Defendant is an Ohio-domiciled insurance company brought under the jurisdiction of the Ohio Department of Insurance pursuant to Ohio Revised Code (R.C.) Chapters 3925 and 3929. Defendant voluntarily and knowingly waived formal service of the complaint and agreed to accept service through counsel, which has been accomplished. Defendant and the entirety of the Board of Directors of HVIC approved a resolution consenting to the jurisdiction of this Court for the purpose of the Superintendent of Insurance taking all acts necessary for the rehabilitation or liquidation of HVIC.

2. This Court has subject matter jurisdiction pursuant to R.C. 3903.04(E). HVIC is a domestic "insurer," as that term is defined in R.C. 3903.01(L) and an "insurer doing business in this state," as referenced in R.C. 3903.03. Defendant is therefore subject to proceedings authorized by R.C. 3903.01 to 3903.59, entitled the "Insurer's Supervision, Rehabilitation and Liquidation Act."

3. Defendant knowingly and voluntarily waived any and all rights Defendant has to file and answer to Plaintiff's complaint, to a formal hearing on the complaint or to otherwise contest or appeal the facts as alleged in the complaint or the entry of an injunction and order of rehabilitation against it. Defendant agreed to immediate entry an injunction and appointment of a rehabilitator and to allow this matter to proceed immediately to judgment, including that the entirety of the Board of Directors of HVIC has approved a resolution consenting to the immediate entry of an agreed order appointing a rehabilitator pursuant to the provisions of R.C. Chapter 3903.

4. Defendant failed to maintain the minimum capital and surplus required by Ohio law. Defendant is therefore in such condition that its further transaction of business

would be financially hazardous to its policyholders, creditors or the public, as described under R.C. 3903.12(A).

5. Defendant, its members, officers, directors, managers, trustees, agents, contractors, employees, partners, representatives, parent corporation, shareholder, affiliate companies, subsidiaries, holding company and other persons or entities acting in concert with them should be enjoined and restrained from conducting, operating or engaging in the business of insurance of Defendant or any other business of Defendant under any charter, permit, license, registration, certificate of authority, agreement, power or privilege of Defendant, and any banks, savings and loan associations, corporations, depositories, employers welfare trusts, unions, agents, or other legal entities should be enjoined and restrained from removing or disposing of any company property or assets, including accounts, books, records and computer and other electronic data, or property of Defendant, or of any debt or claim owed to, by or for said Defendant, without the express, written authorization of the Rehabilitator.

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

7. Without the appointment of a Rehabilitator, the assets of Defendant may become dissipated, causing irreparable and immediate injury of the policyholders, Defendant's creditors and the general public.

It is hereby ORDERED, ADJUDGED and DECLARED as follows:

1. Sufficient cause exists for the entry of an order for rehabilitation of Defendant. HVIC failed to maintain the minimum capital and surplus required by Ohio law and has experienced operating losses in the preceding 12 month period in excess of fifty percent of the insurer's remaining surplus in contravention of Ohio law. Defendant is, therefore, in such condition that the further transaction of business would be hazardous financially to its policyholders, creditors and for the public. Defendant is therefore ordered into rehabilitation pursuant to R.C. Chapter 3903.

Appointment and Powers of Rehabilitator

2. Mary Taylor, Superintendent of Insurance for the State of Ohio, and her successors in office, is appointed Rehabilitator of Defendant pursuant to the provisions of R.C. Chapter 3903. The Rehabilitator may appoint a Chief Deputy Rehabilitator and other such Deputy Rehabilitators as she deems necessary for purposes of rehabilitation of Defendant pursuant to the provisions of R.C. Chapter 3903. Lynda G. Loomis is hereby appointed Chief Deputy Rehabilitator with all powers that may be delegated from time to time by the Rehabilitator. The Rehabilitator, the Chief Deputy Rehabilitator, all Deputy Rehabilitators and all employees who serve under the Rehabilitator in the Ohio Department of Insurance and the Office of the Ohio Insurance Liquidator are provided the indemnification and immunity specified in R.C. 3903.07 and elsewhere in the Revised Code.

3. Pursuant to R.C. 3903.14 (B), the authority of the directors, officers, trustees and managers of Defendant is hereby suspended, except those powers as are specifically re-delegated in writing by the Rehabilitator. Pursuant to R.C. 3903.13 (C)

and R.C. 3903.14(B), this suspension shall not constitute a termination of, breach of or interference with the Administrative Services Agreement between Home Value Protection, Inc. and HVIC by HVIC, the Superintendent or the Rehabilitator.

4. Pursuant to R.C. 3903.13(A), the Rehabilitator shall proceed to take immediate possession and control of all assets and property of Defendant, including, but not limited to, all property, books, records, accounts, business and affairs, contracts, deposits, stocks, securities, claim files, rights of action, safe deposit boxes, and all other assets of Defendant, wherever located, and of the premises occupied by them for the transaction of their business, and to administer them under the general supervision of the Court.

5. Pursuant to R.C. 3903.13(A), the Rehabilitator is vested by operation of law with the title to, and is hereby declared the custodian under the Ohio Rules of Evidence and R.C. Chapter 2317 of, all books, records, property and assets of Defendant, including but not limited to, all documents in any medium, equipment, property, books, records, accounts, monies, business and affairs, contracts, deposits, stocks, securities, rights of action, safe deposit boxes, documents, business records, papers, evidences of debt, bonds, debentures, mortgages, furniture, fixtures, office supplies, all tangible things, claims files, underwriting files, agent files, legal and litigation files, records and computer and other electronic data and computer networks of Defendant, and all other assets of Defendant wherever located, as of the date of the entry of this Order directing Rehabilitation, and is authorized to deal with same in her own name as Rehabilitator.

6. Pursuant to R.C. 3903.13(B), the Rehabilitator shall prepare and file accountings to this Court semi-annually, unless such shorter intervals are ordered by this Court.

7. The Rehabilitator is authorized to take such action as she considers necessary or appropriate to implement this Order of Rehabilitation, including, but not limited to, the following:

- (a) Pursuant to R.C. 3903.13(A) and R.C. 3903.14, the Rehabilitator shall have full power to deal with the property and business of Defendant, and may wind down and terminate the business and affairs of Defendant, and may make the continued expenditure of wages, rents and expenses as she deems necessary and proper for the administration of the rehabilitation of Defendant.
- (b) Pursuant to R.C. 3903.13(A) and R.C. 3903.14(B), the Rehabilitator is vested with the right, title and interest in all funds recoverable by Defendant and shall, where reasonable, collect all claims, accounts receivable, agents' balances, reinsurance proceeds and other amounts owing to Defendant, and shall bring such actions as are necessary, in her sole discretion, to collect the same and may settle and compromise any of such claims, or other amounts owing to Defendant whenever she deems it advisable to do so, upon such terms and conditions as appear to her to be justifiable. The Rehabilitator shall also have the power to compromise any obligation of Defendant where it appears appropriate or necessary.

- (c) Pursuant to R.C. 3903.14(B), the Rehabilitator may make transfers and sales of any assets or property of Defendant, including but not limited to the policies, charter(s) or business license(s) of Defendant, enter into contracts, affirm, void, or continue existing contracts, incur and discharge obligations and make expenditures from the income and receipts of the business of Defendant for operating expenses, labor, insurance, equipment, inventory and supplies required, and to do any and every other act necessary to enable her to perform the duties imposed upon her by this Order.
- (d) Pursuant to R.C. 3903.14(A) and R.C. 3903.13(A) and (B), the Rehabilitator shall take all steps necessary to promptly place all bank accounts, monies, stock certificates, securities, certificates of deposit and other financial instruments and all monies of Defendant into her own name and shall use any accounts and monies of Defendant as an operating fund for the business of the rehabilitation of Defendant, and shall keep a true and correct account of any and all receipts or expenditures which she shall make as Rehabilitator in the course of the operation of said business. The Rehabilitator, at her sole discretion, may retain funds in accounts under the name of Defendant for a time sufficient to allow any outstanding checks issued for the processing of claims to be honored by the institutions upon which those checks are drawn.
- (e) Pursuant to R.C. 3903.14(B), the Rehabilitator may, in her discretion, withhold or discontinue the payment of any pending claims against or

involving Defendant until such time as the Rehabilitator has sufficient time to evaluate the claims and the overall financial condition of the Defendant.

- (f) Pursuant to R.C. 3903.14(B), the Rehabilitator may, in her discretion and upon reasonable notice as determined in her discretion, cancel or refuse to renew existing policies, agency and marketing agreements to which Defendant is a party as she deems appropriate, whether or not they are cancelable by their terms.

8. Pursuant to R.C. 3903.14(C), if it appears to the Rehabilitator that there has been criminal or tortious conduct, wrongful sequestration or diversion of Defendant's assets or breach of any contractual or fiduciary obligation detrimental to Defendant by any officer, manager, director, trustee, agent, broker, employee, contractor or representative of Defendant or other person or entity acting in concert with Defendant, she may pursue all appropriate legal remedies on behalf of Defendant.

9. If the Rehabilitator determines pursuant to R.C. 3903.14(D) that reorganization, consolidation, conversion, reinsurance, merger or other transformation of Defendant is appropriate, then she shall prepare a plan to effect such changes. Upon application of the Rehabilitator for approval of the plan, and after such notice and hearings as this Court may prescribe, the Court may either approve or disapprove the plan proposed, or may modify it and approve it as modified. Any plan approved under this section shall be, in the judgment of this Court, fair and equitable to all parties concerned. If the plan is approved, the Rehabilitator shall carry out the plan.

10. Pursuant to R.C. 3903.14(F), the Rehabilitator shall have the power and authority to avoid transfers under R.C. 3903.26 and 3903.27.

11. Pursuant to R.C. 3903.14(D), the Rehabilitator is hereby authorized to withhold or suspend any payments on any transaction, agreement, contract, policy, transfer of property or any other obligation of Defendant that may be due or owing until such time as is necessary for the Rehabilitator to properly review such debt or claim. Pursuant to R.C. 3903.15(A), no legal action, litigation, self-help, or any steps whatsoever to transfer, sell, set off, encumber, attach, or exercise purported rights against Defendant or any of its assets or property, shall be taken or filed by a creditor or other person for any amounts due against Defendant on any transaction, agreement, contract, policy, transfer of property or other action incurred and no delivery of or furnishing of services required thereby shall be suspended, discounted or terminated by such creditors or other persons during the time that the Rehabilitator is reviewing such debt or claim, without further order of this Court.

12. Pursuant to R.C. 3903.14(A), the Rehabilitator may appoint one or more special deputies, who shall have the powers and responsibilities of the Rehabilitator granted under this Order, and may employ such clerks and assistants or security personnel as she considers necessary, such persons serving at the pleasure of the Rehabilitator.

13. Pursuant to R.C. 3903.14(A), the compensation of all Deputy Rehabilitators and any other special deputies, clerks, and assistants and all expenses of taking and securing possession of the property and affairs of Defendant and of conducting the rehabilitation of Defendant shall be fixed by the Rehabilitator, with the approval of this Court and shall be paid out of the funds or assets of Defendant. In the event that the property of Defendant 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.

14. Pursuant to R.C. 3903.14(B), the Rehabilitator may, in her sole discretion, retain some or all of the staff of Defendant, and shall have full power to direct, manage and discharge employees subject to any contract rights they may have.

15. The Rehabilitator is hereby granted and given all powers and authority under any and all statutes and under the common laws of this State authorizing the appointment of Rehabilitators, and, in particular, is granted and given all powers and authority contained in R.C. Chapter 3903, including, without limitation, those enumerated herein.

Injunction

16. Defendant and all current and former partners, affiliates, subsidiaries, holding companies, affiliates, officers, directors, trustees, shareholders, managers, employees, agents, contractors, representatives and creditors of Defendant, and all persons or entities of any nature acting in concert with them, and all persons and entities of any nature currently or formerly in charge of any segment of Defendant's affairs or assets, including, but not limited to, banks, savings and loan associations, trust companies, financial or lending institutions, brokers, stock or mutual associations, any parent corporation, holding company, subsidiary or affiliated corporation, or any other persons or entities of any form and all persons acting in concert with them, are

ordered to and shall cooperate with the Rehabilitator in the performance of her duties.

The definition of cooperate shall include, but not be limited to, a duty to do the following:

- (a) Reply promptly in writing to any inquiry from the Rehabilitator requesting such a reply.
- (b) Preserve and immediately assign, transfer and deliver to the Rehabilitator all books, accounts, documents, or other records or information and property, including but not limited to documents, records, information, computers, electronic data, tapes, discs, writings, any other recording of information, belonging to Defendant, in whatever name the same may be held.
- (c) Preserve and immediately deliver and make available to the Rehabilitator any books, accounts, documents, or other records or information or property relating or pertaining to the Defendant, including but not limited to documents, records, information, computers, electronic data, tapes, discs, writings, any other recording of information, regardless of ownership, form or location, that are in the person's or entity's possession, custody or control.
- (d) Disclose verbally or in writing the exact whereabouts of such items and information referenced in paragraph (b) and (c) above, if not in possession, custody or control of the person or entity.

17. All accountants, auditors and attorneys of Defendant are ordered to deliver to the Rehabilitator, at her request, copies of all documents in their possession or under their control concerning or related to Defendant HVIC, and to provide the

Rehabilitator with such information as she may require concerning any and all business and/or professional relationships between them and Defendant, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of Defendant or their agents, officers, directors and/or employees, or which Defendant may be, or is, entitled to as the result of its relationship with such accountants, auditors and attorneys.

18. No current or former member, manager, officer, director, shareholder, trustee, employee, partner, agent, contractor, representative of Defendant, or of Defendant's parent corporation, subsidiaries, holding company, shareholder, or any other person acting in concert with them, shall obstruct or interfere with the Rehabilitator in the conduct of her duties as Rehabilitator, and these persons are hereby enjoined and restrained, except under the express authorization of the Rehabilitator or by the further order of this Court, from doing, operating and conducting the business of insurance of Defendant under any charter, permit, license, power or privilege, belonging to or heretofore issued by or to said Defendant, and from in any manner conducting, doing or engaging in the business of insurance;

19. All current and former members, managers, officers, directors, shareholders, trustees, employees, servants, partners, agents, affiliates, subsidiaries, holding companies, officers, directors, contractors and representatives of Defendant, and all persons or entities of any nature acting in concert with them, shall inform the Rehabilitator of the nature, description and location of all assets or other property of or pertaining to Defendant not located on the premises of Defendant, 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, all intellectual property and all books and records in any medium.

20. All current and former partners, affiliates, subsidiaries, holding companies, affiliates, officers, directors, trustees, shareholders, managers, employees, agents, contractors, representatives and creditors of Defendant, and all persons or entities of any nature acting in concert with them, and all persons and entities of any nature currently or formerly in charge of any segment of Defendant's affairs or assets, including, but not limited to, banks, savings and loan associations, trust companies, financial or lending institutions, brokers, stock or mutual associations, any parent corporation, holding company, subsidiary or affiliated corporation, or any other persons or entities of any form and all persons acting in concert with them, are hereby enjoined and restrained as follows, except with the written consent of the Rehabilitator:

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

- (b) From disposing of, using, transferring, selling, assigning, canceling, hypothecating or concealing in any manner or in any way, any books, records, contracts, policies of insurance, equipment, money, accounts receivable, stocks (including the stock of Defendant), bonds, assets, notes, funds or any property or other assets of Defendant, whether real, personal or mixed or of any kind or nature, wherever situated including any claims or cause 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; and disposing of any account, debt, deposit, money, share account, trust account, contract, policy of insurance or any other asset owned, owed to, or held for the benefit of Defendant or under any other name.
- (c) From doing anything, directly or indirectly, to prevent the Rehabilitator from gaining access to, acquiring, examining or investigating any books, documents or records pertaining to or concerning Defendant or its affairs, under whatever name such books, documents or records may be filed or found or wherever such books, documents or records may be found or situated.
- (d) From interfering in any way with the lawful acts of the Rehabilitator who has been appointed herein.

21. All agents, agencies, brokers, premium finance companies, administrators, managers and contractors are enjoined and restrained from retaining or returning to policyholders / insureds any premiums and any money collected for

premiums. All agents, agencies brokers and shall turn over all such funds in their possession to the Rehabilitator within ten (10) days of entry of this Order.

22. Pursuant to R.C. 3903.15(A), any threatened and actual litigation or proceeding pending in any Court in which Defendant is a party or is obligated to defend a party, is hereby stayed for a period of ninety (90) days and such additional time as is necessary for the Rehabilitator to obtain proper representation and prepare for further proceedings. The Rehabilitator shall take such action respecting such threatened or pending litigation, as she considers necessary in the interests of justice and for the protection of policyholders, creditors and the public. The Rehabilitator shall immediately consider all litigation pending outside this state and shall petition the Courts having jurisdiction over such litigation for stays wherever necessary to protect the estate of Defendant.

23. Pursuant to R.C. 3903.15(B), any action by or against Defendant that might have been commenced when the complaint for rehabilitation was filed may be continued for at least ninety (90) days after this order of rehabilitation is entered.

24. All third persons dealing with interests in real property or other property of Defendant are charged with notice of this order as provided in R.C. 3903.13(A).

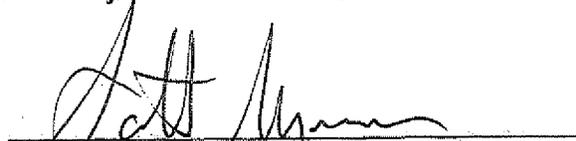
25. The failure of any person to cooperate with or the Rehabilitator and any action taken by any person to obstruct the actions of the Rehabilitator may result in a finding of contempt and/or such other remedies as this Court deems appropriate.

JUDGE

APPROVED:

PLAINTIFF:

Attorney General of Ohio



SCOTT MYERS (0040686)
Assistant Attorney General
Health and Human Services Section
30 East Broad Street, 26th Flr.
Columbus, Ohio 43215-3428
(614) 466-8600
Counsel for Plaintiff

DEFENDANT HOME VALUE INSURANCE COMPANY

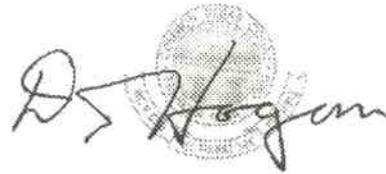
BY:  SCOTT A. RYLES

ITS: CEO AND PRESIDENT

Franklin County Court of Common Pleas

Date: 08-31-2012
Case Title: OHIO DEPARTMENT OF INSURANCE -VS- HOME VALUE INSURANCE COMPANY
Case Number: 12CV010970
Type: AGREED ORDER

It Is So Ordered.



/s/ Judge Daniel T. Hogan

Electronically signed on 2012-Aug-31 page 17 of 17

THE STATE OF OHIO }
Franklin County, ss } I, MARYELLEN O'SHAUGHNESSY, Clerk
OF THE COURT OF COMMON
PLEAS WITHIN AND FOR
SAID COUNTY,

HEREBY CERTIFY THAT THE ABOVE AND FORE-
GOING IS TRULY TAKEN FROM THE
ORIGINAL Agreed Order
NOW ON FILE IN MY OFFICE
WITNESS MY HAND AND SEAL OF SAID COUNTY
THIS 31 DAY OF Aug, A.D. 2012
MARYELLEN O'SHAUGHNESSY, Clerk

By sm Deputy