

STATE OF VERMONT)
WASHINGTON COUNTY) SS

IN THE MATTER OF:) Superior Court
AMBASSADOR INSURANCE COMPANY,) Docket No. S-444-83 Wnc
INC.)

LIQUIDATION ORDER

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SUPERIOR COURT
WASHINGTON COUNTY

FILED

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STATE OF VERMONT
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IN THE MATTER OF:) Superior Court
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INC.)

LIQUIDATION ORDER

This matter having come before the Court on the application of the Commissioner of Banking and Insurance of the State of Vermont ("the Commissioner") for the entry of an order and plan for the liquidation of Ambassador Insurance Company ("Ambassador"); the Court having issued on September 4, 1984 its Findings of Fact, Conclusions of Law and Judgment Order, finding, inter alia, that Ambassador was, as of March 31, 1984, insolvent in an amount of at least \$45,604,122; and the Court having ordered the Commissioner to submit a proposal for the marshaling and disbursement of the assets of Ambassador pursuant to Vermont law; and the Supreme Court of Vermont having on August 22, 1986 affirmed the September 4, 1984 Judgment of this Court; and the Court having thereupon reviewed the application of the Commissioner;

It is hereby ORDERED that the application of the

Commissioner for a liquidation order is approved in all respects;

(1) Termination Of Rehabilitation. The rehabilitation of Ambassador, instituted pursuant to this Court's "Order Appointing the Commissioner of Banking and Insurance as Receiver for the Purposes of Rehabilitation," filed November 10, 1983, is terminated;

(2) Corporate Charter. The Commissioner is authorized, as he deems appropriate, to sell or to dissolve the corporate charter of Ambassador;

(3) Appointment Of Commissioner As Liquidator. The Commissioner, and his successor(s) to the office of Commissioner of Banking and Insurance of the State of Vermont, shall continue in the capacity as receiver of Ambassador pursuant to 8 V.S.A. § 3600, and is hereby appointed the Liquidator of Ambassador ("the Liquidator");

(4) Agent To The Liquidator. George K. Bernstein is appointed Agent for the Liquidator. This Agent, and any successor to that position, shall have all of the powers and protections accorded to the Liquidator pursuant to this Order. Successors to the position of Agent shall be appointed by the Liquidator. The Agent appointed hereunder, and any successor to that position, shall serve at the Liquidator's pleasure;

(5) Liquidator To Take Possession Of Assets. The Liquidator is directed forthwith to take possession of the

assets of Ambassador heretofore in his possession pursuant to the receivership order of November 10, 1983, further to take possession of any other assets of Ambassador, wherever located, and to administer these assets under the general supervision of this Court and pursuant to the terms of this Order;

(6) Title To Property And Assets. The Liquidator is vested with the title to all of the property, contracts and rights of action of Ambassador, and to all of the books and records of Ambassador, wherever located, as of the date of entry of this Order;

(7) Filing As Notice Of Order. The filing or recording of this Order with the Clerk of this Court and with the recorder of deeds of the jurisdictions in which Ambassador's corporate and administrative offices are located, or, in the case of real estate, with the recorder of deeds of the jurisdiction where the property is located, shall impart the same notice as a deed, bill of sale, or other evidence of title duly filed or recorded with that recorder of deeds would have imparted;

(8) Rights Fixed By Order. Except as otherwise provided in this Order, the rights and liabilities of Ambassador and of its creditors, policyholders, shareholders and all other persons interested in its estate shall be and hereby are fixed as of the date of entry of this Order;

(9) Effect Of Order On Policies. All policies in effect on the date of entry of this Order shall continue in force only for the lesser of:

(a) a period of 30 days from the date of entry of this Order;

(b) the expiration of the policy coverage; or

(c) the date when the insured has replaced the insurance coverage with substantially equivalent coverage of another insurer or otherwise terminated the policy;

(10) Effect Of Order On Policy Provisions Re Renewal Or Cancellation. The termination of policies as set forth in Paragraph (9) above shall supercede, and control over, any other contractual or statutory provisions pertaining to the renewal or cancellation of policies;

(11) Powers Of Liquidator. The Liquidator shall have the power:

(a) to employ employees and agents, legal counsel, actuaries, accountants, appraisers, consultants and such other personnel as he may deem necessary or appropriate to assist in the liquidation;

(b) to determine and fix the reasonable compensation of employees and agents, legal counsel, actuaries, accountants, appraisers, consultants, and other personnel;

(c) to pay from the funds or assets of Ambassador all reasonable expenses of marshalling, taking

possession of, conserving, conducting, liquidating, disposing of or otherwise dealing with the business and property of Ambassador;

(d) to hold hearings for the purpose of determining and evaluating claims submitted, and to subpoena witnesses to such hearings, compel their attendance, 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 to require the production of any books, papers, records or other documents which he deems relevant to the inquiry;

(e) to collect all debts and moneys due and claims belonging to Ambassador, wherever located, and for this purpose:

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

(ii) to 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 deems appropriate; and

(iii) to pursue any creditor's remedies available to enforce his claims;

(f) to conduct public and private sales of the assets and property of Ambassador, including any real property;

(g) to acquire, invest, deposit, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of or deal with any asset or property of Ambassador, and to sell, reinvest, trade or otherwise dispose of any securities or bonds presently held by Ambassador, upon such terms and conditions as are fair and reasonable, irrespective of the value at which such property was last carried on the books of Ambassador. He shall also have the power to 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;

(h) to borrow money on the security of Ambassador's assets, or without security, and to execute and deliver all documents necessary to that transaction for the purpose of facilitating the liquidation;

(i) to enter into such contracts as are necessary to carry out this Order, and to affirm or disavow any contracts to which Ambassador is a party;

(j) subject to the provisions of paragraph 11(k) hereof, to institute and to prosecute, in the name of

Ambassador or in his own name, any and all suits and other legal proceedings, to defend suits in which Ambassador or the Liquidator is a party, in this state or elsewhere, whether or not such suits are pending as of the date of this Order, to abandon the prosecution or defense of suits, legal proceedings and claims which he deems inappropriate to pursue further and to settle suits, legal proceedings or claims on such terms and conditions as he deems appropriate;

(k) advance approval by the Court shall be required in any case in which the Liquidator seeks to abandon the prosecution of any claim, or to settle any claim, which the Liquidator has asserted to have a value in excess of One Million Dollars (\$1,000,000);

(l) to prosecute any action which may exist on behalf of the creditors, policyholders or shareholders of Ambassador against any officer or director of Ambassador, or any other person;

(m) to remove any or all records and other property of Ambassador to the offices of the Liquidator or to such other place as may be convenient for the purposes of efficient and orderly execution of the liquidation; and to dispose of or destroy, in the usual and ordinary course, such of those records and property as the Liquidator may deem or determine to be unnecessary for the liquidation effort; guaranty associations and ancillary receivers shall have such

reasonable access to the records of Ambassador as may be necessary for them to carry out their statutory obligations;

(n) to file any necessary documents for recording in the office of any recorder of deeds or record office in this state or elsewhere where property of Ambassador is located;

(o) to exercise and enforce all the rights, remedies and powers of any creditor, shareholder or policyholder;

(p) to intervene in any proceeding wherever instituted that might lead to the appointment of a receiver or trustee, and to act as the receiver or trustee whenever the appointment is offered;

(q) to enter into agreements with any ancillary receiver or Insurance Commissioner of any other state, or with any guaranty association, relating to the liquidation, conservation or dissolution of Ambassador as he may deem to be necessary or appropriate;

(r) to perform such further and additional acts as he may deem necessary or appropriate for the accomplishment of or in aid of the purpose of liquidation, it being the intention of this Order that the aforestated enumeration of powers shall not be construed as a limitation upon the Liquidator;

(12) Discontinuance Of Defense Of Claims Against
Ambassador Insureds.

(a) The Liquidator is directed as of the date of this Order to discontinue the defense of claims, suits and other proceedings, in this state and elsewhere, in which Ambassador's insureds are parties, including those claims made and suits and proceedings undertaken prior to the date of this Order. To the extent that the duty to provide a defense to such claims, suits or other proceedings is covered under a policy of insurance issued by Ambassador, the insured may make a claim for the costs and expenses incurred in the defense of such claims, suits or other proceedings pursuant to the provisions of Paragraph (14) hereof;

(b) Fees and costs incurred in the defense of claims, suits and proceedings in which Ambassador's insureds are parties, to the extent incurred between November 10, 1983 and the date of this Order, are reimbursable in full from Ambassador's estate to the extent the Liquidator determines such fees and costs to be reasonable;

(13) Notice Of Order. The Liquidator shall give or cause to be given notice of the entry of this Order as soon as possible:

(a) by first class mail to all policyholders and to all persons known or reasonably expected to have claims against Ambassador, at their last known address, as indicated

by the records of Ambassador;

(b) by first class mail to the Insurance Commissioner of each jurisdiction in which Ambassador is doing business, either on an admitted or surplus lines basis;

(c) by first class mail to any guaranty association which is or may become obligated as a result of Ambassador's liquidation;

(d) by first class mail to producers and all insurance agents of Ambassador, as indicated by the records of Ambassador; and

(e) by publication in a newspaper of general circulation in the counties in which Ambassador currently has its corporate and administrative offices and in such other locations as the Liquidator deems appropriate;

(14) Claims In Liquidation.

(a) The notice served under Paragraph (13)(a) shall require that any person seeking to receive distributions in liquidation as a claimant file with the Liquidator a claim, as hereinafter specified, together with proper proof of loss, in such manner and form as the Liquidator may in his discretion require, at a place specified in such notice, on or before March 1, 1988. The Liquidator shall in his notice specify that the reasonable cost or expense incurred by the insured in defending a claim which would, prior to entry of this Order, have been assumed by Ambassador shall be part of and included

in the amount of the claim. The Liquidator's notice may contain such other procedures and information as he may deem necessary for the purpose of this proceeding in fixing and determining all lawful claims and demands against Ambassador. The notice shall also specify that any requests for information or questions may be directed to Ambassador Insurance Company in Liquidation, P.O. Box 40, Montpelier, Vermont 05602 (802-479-0151);

(b) The Liquidator shall in his notice require that such claimants make and submit any actual or potential claims which they may have with or against Ambassador, including both known claims and circumstances within the knowledge of such claimant which can reasonably be expected to give rise to claims;

(c) The Liquidator shall in his notice require that policyholders who do not know, or have reason to know, of the existence of actual or potential claims against them nonetheless submit a claim in accordance with subparagraph (a) hereof, in order to preserve their right to assert claims against Ambassador in the future. In the case of such policyholders, the proof of loss requirement shall be deemed satisfied if the policyholder states by way of proof that he intends to reserve his rights to assert all future claims against Ambassador;

(d) The Liquidator may, in his discretion, alter the notification and filing requirements of Paragraphs (14) (a)-(c) hereof, by agreements made with ancillary receivers or with Insurance Commissioners of other states, or with guaranty associations;

(15) Finality Of Distribution Of Assets. Subject to the discretionary authority provided in Paragraph (16) hereof, and if notice is given in accordance with Paragraphs (13) and (14) above, the distribution of the assets of Ambassador shall be conclusive with respect to all creditors of the estate, whether or not they receive actual notice;

(16) Late Filing Of Claims. The Liquidator may in his discretion permit a claimant making a late filing to share in distributions, whether past or future, as if he were not late, to the extent that any such payment will not prejudice the orderly administration of the liquidation;

(17) Limit On Amount Of Claims. Except for interest which may be payable pursuant to Paragraph (21)(e) hereof, no claim under a policy of insurance shall be allowed for an amount in excess of the applicable policy limits. If several claims founded upon one policy are filed, and the aggregate allowed amount of the claims to which the same limit of liability in the policy is applicable exceeds that limit, each claim as allowed shall be reduced in the same proportion so that the total equals the policy limit;

(18) Consideration And Allowance Of Claims By The Liquidator.

(a) No claim need be allowed if it does not contain all the information required by the Liquidator which may be applicable;

(b) No judgment or order entered against an Ambassador insured by default, or entered against Ambassador or an insured by fraud, collusion or deceit, need be considered as evidence of liability or of the amount of damages payable under said judgment or order;

(19) Procedures For Disputed Claims.

(a) For purposes of Paragraphs (19) and (20) hereof, the word "claim" is defined to include claims made directly against Ambassador or its estate, and judgments against or settlements by insureds of Ambassador for which the insured seeks reimbursement from Ambassador or the estate;

(b) When a claim is denied in whole or in part by the Liquidator, written notice of that determination shall be given to the claimant or his attorney by first class mail at the address shown in the proof of claim. Within 60 days from the mailing of the notice, the claimant must file his objections, if any, with the Liquidator. If no such filing is made, the claimant may not further object to the determination;

(c) Whenever objections are filed with the Liquidator and the Liquidator does not alter his denial of the

claim as a result of the objections, the Liquidator shall notify the claimant. The claimant may then ask the Liquidator for Court review of the dispute by serving the Liquidator with a written request for such review within 10 days of receipt of the Liquidator's notification under this paragraph. The Liquidator thereupon shall ask this Court for a hearing and give notice of the hearing by first class mail to the claimant or his attorney and to any other persons directly affected, not less than 15 nor more than 30 days before the date of the hearing. The matter shall be heard by this Court or referred to a Court-appointed master, pursuant to the procedures set forth in Rule 53 of the Vermont Rules of Civil Procedure;

(20) Recommendation And Court Approval Of Claims.

(a) The Liquidator shall review all claims duly filed in the liquidation and may make such further investigation as he shall deem necessary, including, to the extent he deems it appropriate, hearings under Paragraph (11)(d). He may compound, compromise or in any other manner negotiate the amount for which claims will be recommended to this Court except where the Liquidator is required by law to accept claims by any person or organization, including any guaranty association. Unresolved disputes shall be determined under Paragraph (19) above;

(b) On July 1, 1987, the Liquidator shall present to the Court an initial report of the claims against

Ambassador submitted to and considered by the Liquidator to that time together with his recommendations. This report of claims, and any supplemental report of claims submitted pursuant to Paragraph 20(c), shall not include claims which are, as of the submission date, unresolved pursuant to the provisions of Paragraph 19. The report shall include the name and address of each claimant and the amount of the claim finally recommended, if any, except that, in the case of claims submitted by guaranty associations, no individual listing of underlying claims and the amount of such underlying claims finally recommended need be included in the Liquidator's report;

(c) As the liquidation continues, and on the first business day of each calendar quarter, the Liquidator shall submit to the Court supplemental reports of claims submitted to and considered by the Liquidator during the interim period, setting forth the information specified under Paragraph (20)(b) hereof with respect to those additional claims which become capable of monetary assessment subsequent to the filing of the initial report of claims;

(d) Any person objecting to the Court's approval of a report of claims submitted pursuant to Paragraphs 20(b) and (c) hereof must file such objection with the Court within 20 days of the filing of the report of claims to which the objection relates. Based upon its consideration of objections,

the Court may disapprove or modify the initial or supplemental reports on claims submitted by the Liquidator. Such claims as are not disapproved or modified by the Court within a period of 60 days following submission by the Liquidator shall be deemed finally approved by the Court, and shall constitute allowed claims;

(e) The Liquidator may, in his discretion, alter the requirements of Paragraphs 19 and 20 hereof, by agreements made with ancillary receivers or with Insurance Commissioners of other states, or with guaranty associations, or as necessary to preserve the rights granted to claimants in reciprocal states under the provisions of 8 V.S.A. § 3592;

(21) Distributions In Liquidation.

(a) Under the supervision of the Court, the Liquidator shall make distributions in a manner that will assure the proper recognition of priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of unliquidated and undetermined claims, including third-party claims. Distributions to creditors hereunder, and to guaranty associations pursuant to Paragraph (22) hereof, shall not be made except upon prior reserve of amounts for payment of expenses and claims which are third and higher priority under 8 V.S.A. § 3595(b). Distribution of assets in kind may be made at valuations set by agreement

between the Liquidator and the creditor and approved by the Court;

(b) At the time of filing his report of claims pursuant to Paragraph (20)(b) hereof, the Liquidator shall submit for approval to the Court his proposed first payment of approved claims, which shall represent a percentage of the total amount of each allowed claim. The proposed first payment shall be included in his initial report of claims. The percentage proposed as a first payment shall reflect the purpose of Paragraph (21)(a) hereof, that, to the extent feasible, all claims received by the Liquidator and approved by the Court during the course of this liquidation will receive at least that minimum percentage of payment;

(c) As the liquidation continues, and at such intervals as the Liquidator shall deem appropriate, the Liquidator shall submit for approval to the Court, as appropriate, proposed supplemental percentage distributions with respect to allowed claims. The amount of such proposed supplemental distributions, together with the approximate date on which the submission for approval will be made to the Court, shall be included in the next preceding supplemental report of claims submitted pursuant to Paragraph 20(c);

(d) The Court may approve, disapprove or modify the proposed distributions as recommended by the Liquidator;

(e) To the extent funds are available, the Liquidator shall pay interest on the unpaid portion of any allowed claim, with such interest to accrue as of the date of the first partial payment made on that claim. No interest shall be payable unless and until the principal amount of all allowed claims of the same priority have been paid in full, but such interest shall be payable in full before any distributions are made to claimants of a lower priority. The interest rate shall be an amount equal to the prevailing rate of interest on 90-day Treasury notes as of the time the interest becomes payable hereunder. In the event that there are insufficient funds to pay interest in full on all claims, partial payments of interest shall be made in proportional amounts on all claims;

(22) Distributions To Guaranty Associations.

(a) The Liquidator shall make distributions to guaranty associations in accordance with the provisions of 8 V.S.A. §§ 3603 and 3618, and based upon reports received by the Liquidator from each affected guaranty association accounting for payments made by that association for claims and related expenses. To the extent that the expenses of the guaranty association (internal and external) are otherwise reimbursable under the terms of Paragraph 22(b), the Liquidator shall be obligated to reimburse only the reasonable expenses of the guaranty associations, and is not bound by the reports of the guaranty associations as they relate to such expenses.

Disputes between the Liquidator and any guaranty association regarding the reimbursement of either claims or expenses shall be resolved in accordance with the procedures set forth in Paragraph 19;

(b) At the time of filing its initial report of claims and proposed first payment pursuant to Paragraphs (20) and (21) hereof, the Liquidator shall likewise submit for approval by the Court a list of proposed distributions to guaranty associations. Subject to the provisions of Paragraph (22)(e), the proposed first payment to guaranty associations shall be in a percentage equal to that proposed with respect to creditors of the same priority under Paragraph (21)(b). The Liquidator shall reimburse each association in full as a claim under 8 V.S.A. § 3595(b)(1), upon proper showing, for that association's internal expenses of administration allocable to Ambassador claims. Reimbursement to the guaranty associations for the costs of outside vendors, such as independent adjusters and attorneys, shall be treated in the same fashion as specified for creditors of the same priority under Paragraph 12.

(c) As the liquidation continues, and at such intervals as the Liquidator shall deem appropriate, the Liquidator shall submit for approval by the Court proposed supplemental distributions to the guaranty associations. The proposed supplemental distributions to guaranty associations shall be in a percentage equal to that proposed with respect to

creditors of the same priority under Paragraph 21(c), together with any additional expenses of the guaranty association which are reimbursable pursuant to Paragraphs 22(a) and (b);

(d) No proposed distribution to a guaranty association shall be made except upon prior receipt from that association of its agreement to return to the Liquidator such assets as may be required to pay claims of secured creditors and claims in accordance with 8 V.S.A. § 3595, provided that bonds shall not be required of any such association;

(e) Guaranty associations shall be entitled to reimbursement from the estate in the manner and amount set forth in this Order, only on the basis of actual payments made by the association to policyholders and claimants. If and to the extent that a guaranty association has made only a partial reimbursement to a claimant, such guaranty association shall be entitled to a distribution from the estate for its payment only to the extent that the percentage of the claim which such guaranty association has reimbursed is equal to or less than the total percentage distributed by the Liquidator to creditors of the same priority. In no event shall a guaranty association which has made only a partial reimbursement to a policyholder or claimant be entitled to any distribution in liquidation to the extent such distribution would provide the guaranty association with a greater percentage of payment on a claim than the percentage received by creditors of the same priority;

(f) In addition to such other information as the Liquidator may require, the guaranty associations shall be required to submit to the Liquidator the following information with respect to each policyholder and claimant in their respective states whose allowed claims exceed the maximum amount payable by the association: the name and address of the policyholder or claimant; the total amount of the allowed claim; the total amount paid by the association in reimbursement of the claim; and the total amount paid by the association from the date of this Order in outside lawyer and adjuster fees for the benefit of such policyholder or claimant;

(23) Distributions To Claimants In Guaranty Fund States.

(a) A policyholder or claimant who is entitled to reimbursement from a guaranty association may receive a distribution from the estate of Ambassador only in those circumstances in which the total percentage of reimbursement which such policyholder or claimant has received from the guaranty association is less than the percentage of reimbursement distributed by the Liquidator to creditors of the same priority in non-guaranty association states. In such cases, such policyholder or claimant may receive such additional distributions from the estate of Ambassador as are required to provide such policyholder or claimant with a total percentage of reimbursement equal to that received by creditors

of the same priority who are not subject to reimbursement from guaranty associations. In computing the total percentage of reimbursement received by a policyholder or claimant from a guaranty association, the Liquidator shall include and consider any amounts paid by the guaranty association, on behalf of such policyholder or claimant, to outside vendors such as independent adjusters and attorneys;

(b) There shall be no duplication of payments, made pursuant to the provisions of Paragraphs 22(e) and 23(a), to a guaranty association and the policyholders or claimants subject to reimbursement by such guaranty association. If a distribution from the estate has been made to a policyholder or claimant whose claim is subject to reimbursement from a guaranty association, the guaranty association is not entitled to a distribution on the same underlying claim until all creditors of the same priority have received a distribution on their claims equal in percentage to the total payments made by the estate and the guaranty association to that policyholder or claimant;

(24) Priority Of Distribution.

(a) The priority of distribution set forth in 8 V.S.A. § 3595 shall control as to all claims of residents of this and all other states. All claims of residents of such other states shall be given equal priority of distribution subject to Paragraph (24)(b) hereof;

(b) The owners of special deposit claims against Ambassador shall be given priority against the special deposits in accordance with the statutes governing the creation and maintenance of the deposits. If there is a deficiency in any deposit, so that the claims secured by it are not fully discharged from it, the claimants may share in the general assets, but the sharing shall be deferred until unsecured creditors, and also claimants against other special deposits who have received smaller percentages on their claims receive equal percentages to those paid from the special deposit;

(25) Set Offs-Reinsurers. The amount recoverable by the Liquidator from reinsurers shall not be reduced as a result of the receivership proceedings, or by reason of partial distribution on any reinsured claim, regardless of any provision in the reinsurance contract or other agreement. Set offs shall be allowed between Ambassador and its reinsurers. Unless either the insurance contract or an applicable statute provides to the contrary, payment made directly to an insured or other creditor shall not diminish the reinsurer's obligation to Ambassador's estate;

(26) Set Offs-Other Persons.

(a) Mutual debts or mutual credits between Ambassador and another person shall be set off and the balance only shall be allowed or paid, except as provided in Paragraphs (26)(b) and (27)(a);

(b) No set off against Ambassador shall be allowed in favor of any person if:

(i) except with respect to Paragraph (25) hereof, the obligation of Ambassador to the person would not have entitled the person to share as a claimant in the assets of Ambassador as of November 10, 1983;

(ii) the obligation of Ambassador to the person was purchased by or transferred to the person with a view to its being used as a set off; or

(iii) the obligation of the person is to pay premiums, whether earned or unearned, to Ambassador;

(27) Duty To Pay Premium.

(a) An agent, broker, premium finance company, or any other person, other than the insured, responsible for the payment of a premium shall be obligated to pay any unpaid premiums, whether earned or unearned, as of November 10, 1983. No credit or set-off shall be allowed in favor of such person against his account with Ambassador, for the unearned portion of the premium on any cancelled policy, unless (i) that policy was cancelled prior to the entry of the order of November 10, 1983, and (ii) the unearned premium on the cancelled policy was in fact refunded or credited to the insured or his assigns

prior to the entry of said order. The Liquidator shall also have the right to recover from such person any part of an unearned premium that represents a commission to such person;

(b) An insured shall be obligated to pay any unpaid earned premium due Ambassador at any time;

(28) Fraudulent Conveyances.

(a) Every transfer made or suffered and every obligation incurred by Ambassador within one year prior to November 10, 1983 is fraudulent as to then existing and future creditors if made or incurred without fair consideration, or with actual intent to hinder, delay, or defraud either existing or future creditors. A transfer made or an obligation incurred by Ambassador, which is fraudulent, may be avoided by the Liquidator, except as to a person who in good faith is a purchaser, lienor, or obligee for a present fair equivalent value, and except that any purchaser, lienor, or obligee, who in good faith has given less than fair consideration for such transfer, lien, or obligation, may retain the property, lien or obligation as security for repayment. The Court may, on due notice, order any such transfer or obligation to be preserved for the benefit of the estate of Ambassador, and in that event, the Liquidator shall succeed to and may enforce the rights of the purchaser, lienor, or obligee;

(b) Any transaction of Ambassador with a reinsurer shall be deemed fraudulent and may be avoided by the

Liquidator if:

(i) the transaction consists of the termination, adjustment, or settlement of a reinsurance contract in which the reinsurer is released from any part of its duty to pay the originally specified share of losses that had occurred prior to the time of the transaction, unless the reinsurer gave a present fair equivalent value for the release; and

(ii) any part of the transaction took place within one year prior to November 10, 1983;

(c) In circumstances where the facts so justify, nothing in this Paragraph shall prejudice any claim by the Liquidator that any other transaction by and between Ambassador and another person is fraudulent as to existing or future creditors;

(29) Surrender Of Fraudulent Conveyances.

(a) No claims of a creditor who has received or acquired a lien, conveyance, transfer, assignment, or encumbrance, voidable under this Order, shall be allowed unless he surrenders the lien, conveyance, transfer, assignment, or encumbrance. If the avoidance is effected by a proceeding in which a final judgment has been entered, the claim shall not be allowed unless the money is paid or the property is delivered

to the Liquidator within 30 days from the date of the entry of the final judgment, except that this Court may allow further time if there is an appeal or other continuation of the proceeding;

(b) A claim allowable under Paragraph (29)(a) above by reason of the avoidance, whether voluntary or involuntary, of a lien, conveyance, transfer, assignment, or encumbrance, may be filed as an excused late filing under Paragraph (16) above if filed within 30 days from the date of the avoidance, or within the further time allowed by the Court under Paragraph (29)(a) above;

(30) Final Discharge Of Liquidator.

(a) When all assets that can be economically collected and distributed have been collected and distributed under this Order, the Liquidator shall apply to the Court for a final discharge. The Court may grant the discharge and make any other orders, including an order to transfer any remaining funds that are uneconomic to distribute, as it deems appropriate;

(b) Any other person may apply to the Court at any time for an order under Paragraph (30)(a) hereof. If the application is denied, the applicant shall pay the costs and expenses of the Liquidator in resisting the application, including a reasonable attorney's fee;

(31) Reopening Of Proceedings. After the liquidation proceeding has been terminated and the Liquidator discharged, the Commissioner or other interested party may at any time petition this Court to reopen the proceedings for good cause, including the discovery of additional assets. If the Court is satisfied that there is justification for reopening, it shall so order;

(32) Unclaimed Funds. All unclaimed funds subject to distribution remaining in the Liquidator's hands when he is ready to apply to the Court for discharge, including those amounts distributable to any creditor, shareholder, member or other person who is unknown or cannot be found, shall be deposited with the state treasurer, and shall be paid without interest to the person entitled thereto or his legal representative upon proof satisfactory to the state treasurer of his right thereto. Any amount on deposit not claimed within six years from the discharge of the Liquidator shall be deemed to have been abandoned and shall be escheated without formal escheat proceedings and be deposited with the general funds of the State of Vermont;

(33) Termination Of Contracts. Except as provided in Paragraph (9), all existing contracts and other obligations of Ambassador may, at the discretion of the Liquidator, be terminated. Such termination shall be effected by written

notice issued by the Liquidator and addressed to the contracting party;

(34) Tender Of Company Records To The Liquidator.

Ambassador, its officers, directors, trustees, policyholders, agents and employees, and all other persons, having any property or records belonging to Ambassador, including data processing information and records of any kind such as, by way of example only, source documents, are hereby directed to assign, transfer and deliver to the Liquidator all of such property in whatsoever name the same may be, and any persons, firms or corporations having any books, papers or records relating to the business of Ambassador shall preserve the same and submit these to the Liquidator for examination at all reasonable times;

(35) Injunction As To Suits Against The Liquidator.

No action at law or equity shall be brought against Ambassador or the Liquidator, or any employee, agent or representative of the Liquidator, whether in this state or elsewhere, nor shall any such existing actions be maintained or further presented after issuance of this Order, nor shall any counterclaim or set off be asserted in any action brought by or on behalf of the Liquidator, whether in this state or elsewhere, except in the manner permitted by Paragraphs (13) through (19), and (21) through (23) hereof;

(36) Injunction As To Transaction Of Business.

Except as may be authorized by the Liquidator, the officers, directors, trustees, policyholders, agents and employees of Ambassador, and all other persons, are permanently enjoined and restrained, whether in this state or elsewhere, from the further transaction of business or from dealing with or disposing of the property or assets of Ambassador. Such persons are further permanently enjoined and restrained from doing or permitting to be done any act or thing which might waste its property or assets or allow or suffer the obtaining of preferences, judgments, attachments or other liens, or the making of any levy against Ambassador or its estate;

(37) Injunction As To Interference With The

Liquidator. The officers, directors, trustees, policyholders, agents and employees of Ambassador, and all other persons, are permanently enjoined and restrained, from making or executing any levy upon the property or estate of Ambassador, or from in any way interfering with the Liquidator in his possession, control or management of Ambassador, or in the discharge of his duties, or in the liquidation of the business of Ambassador.

(38) Discharge Of Employees. All officers,

directors, agents and employees, and all other persons representing Ambassador or employed by Ambassador in connection with the conduct of its insurance business, are discharged forthwith unless the Liquidator elects in writing to continue

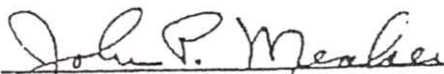
the relationship of any such person with Ambassador;

(39) Accountings. The Liquidator shall file accountings with this Court on an annual basis as of December 31 of each year. Such accountings shall be filed on or before March 1 of the following year;

(40) Final Adjudication Of Claims Of Intervening Parties. To the extent that the rights and claims of such parties were not heretofore finally adjudicated by this Court's Judgment of September 4, 1984, this Order shall constitute a final adjudication of the rights and claims of those parties who have heretofore been allowed intervention in these proceedings, to include Ambassador Insurance Company, Ambassador Group, Inc. and the Intervening Hospitals. The claims of such parties are hereby dismissed with prejudice;

(41) Retention of Jurisdiction. This Court shall retain jurisdiction for all purposes necessary to effectuate and enforce this Order;

Dated at Montpelier, Vermont this 10th day of March, 1987.



John P. Meaker
Superior Court Judge