

Filed in The District Court
of Travis County, Texas **BD**

APR 05 2013

At 9:20 A.M.
Amalia Rodriguez-Mendoza, Clerk

Cause No. D-1-GV-13-000204

THE STATE OF TEXAS,
Plaintiff

v.

SANTA FE AUTO INSURANCE COMPANY,
Defendant

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IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

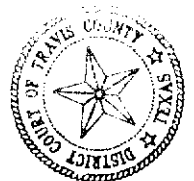
419th JUDICIAL DISTRICT

**ORDER APPOINTING LIQUIDATOR
AND PERMANENT INJUNCTION**

On this day the Court heard the *Application for Order of Liquidation* (“Application”) filed by CANTILO & BENNETT, L.L.P., solely in its capacity as Special Deputy Receiver of Santa Fe Auto Insurance Company, (the “SDR” and “SFAIC” or “Defendant” respectively). The Application requests an order placing SFAIC into liquidation pursuant to TEX. INS. CODE Chapter 443, the *Insurer Receivership Act*, and appointing the Commissioner as Liquidator of Defendant (the “Liquidator”). The Application also requests a Permanent Injunction pursuant to TEX. INS. CODE §443.008, enjoining Defendant and its agents from conducting Defendant’s business, and enjoining other parties from taking any actions against Defendant or its property in violation of the *Insurer Receivership Act*. The SDR appeared by and through counsel.

Having considered the Plaintiff’s verified petition, the evidence presented and the arguments of counsel, the Court finds that the Application should be GRANTED, and enters this Order.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED as follows:



I. FINDINGS OF FACT

- 1.1 Defendant is a "Covered Person" as defined in TEX. INS. CODE § 443.003.
- 1.2 Defendant's Certificate of Authority ("COA") to engage in the business of insurance in Texas requires it to maintain \$6 million in policyholder surplus ("PHS"). Its 2012 Annual Statement reflects that it has negative PHS of \$2,316,204. Therefore, it is out of compliance with its COA by over \$8 million and is insolvent as defined in TEX. INS. CODE §443.004 (a)(13).
- 1.3 The SDR has determined that a run-off of all of the company's liabilities cannot be achieved due the lack of assets and the present and projected expenses of litigation. As the company will not be able to pay all policy claims as they become due, continuing rehabilitation efforts would substantially increase the risk of loss to policyholders and claimants. A liquidation order is required so that covered claims may be paid by state guaranty associations.

II. CONCLUSIONS OF LAW

- 2.1 This Court has jurisdiction over the parties and the subject matter of this action under TEX. INS. CODE § 443.005(c). The exercise of jurisdiction over any non-resident party in interest and/or claimant comports to customary standards of fair play and substantial justice, and complies with the protections of the Constitutions of the United States of America and the State of Texas.
- 2.2 Grounds exist to place SFAIC into liquidation pursuant to TEX. INS. CODE § 443.057(2), as it is insolvent as defined in TEX. INS. CODE § 443.004(a)(13), and pursuant to TEX. INS. CODE § 443.057(9), in that further transaction of its business would be hazardous to its

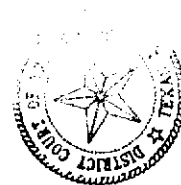


creditors and the public. Pursuant to TEX. INS. CODE §443.058, the SDR is entitled to an order appointing the Commissioner as Liquidator and a Permanent Injunction, as requested in the Application.

- 2.3 In accordance with TEX. INS. CODE § 443.058, the SDR is entitled to an order of liquidation, and the Commissioner must be appointed as Liquidator of Defendant pursuant to TEX. INS. CODE § 443.151.
- 2.4 The Liquidator shall be vested by operation of law with title to all of Defendant's property as defined in TEX. INS. CODE § 443.004(a)(20). Such property shall include property of any kind or nature, whether real, personal, or mixed, including but not limited to money, funds, cash, stock, bonds, account deposits, statutory deposits, special deposits, contents of safe deposit boxes, funds held in shared, escrow or trust accounts, retainages and retainers, letters of credit, real estate, fixtures, furniture, equipment, books, records, documents and insurance policies, intellectual property, computer software and systems, information technology, internet domain names, patents and intangible assets, whether owned individually, jointly, or severally, wherever located, and all rights, claims or causes of action belonging to Defendant, whether asserted or not, including but not limited to accounts receivable, notes, premiums, subrogation, insurance and reinsurance proceeds, and all licenses held by Defendant (collectively, "Defendant's Property"). The Liquidator's title shall extend to Defendant's Property, regardless of the name in which such items are held, or where such items are located.
- 2.5 Pursuant to TEX. INS. CODE § 443.151(a), the Liquidator shall be directed to take possession and control of Defendant's Property, wherever located.



- 2.6 The Liquidator may take action as she deems necessary or appropriate to perform her duties pursuant to the Insurer Receivership Act. The Liquidator shall have all the powers of Defendant's directors, officers and managers, and the authority of such persons is suspended except as specifically permitted by the Liquidator or her designees.
- 2.7 Defendant and Defendant's agents shall be required to cooperate with the Liquidator and her designees pursuant to TEX. INS. CODE § 443.010.
- 2.8 It is necessary for this Court to issue a permanent injunction pursuant to TEX. INS. CODE §443.008(a) to carry out the provisions of TEX. INS. CODE Chapter 443, and prevent irreparable injury, loss and damage to the general public and Defendant's creditors. A necessity exists to enjoin Defendant and Defendant's agents from conducting Defendant's business, except as specifically permitted by the Liquidator or her designees; to enjoin financial institutions or depositories from taking any actions in connection with Defendant's property, except as directed by the Liquidator or her designees; and to enjoin all claimants or creditors from asserting claims or causes of action against Defendant, except as permitted by the Insurer Receivership Act.
- 2.9 Pursuant to TEX. INS. CODE § 443.008(c), an automatic stay remains in effect with respect to actions against Defendant or its property, effective on the commencement of this proceeding. In accordance with TEX. INS. CODE § 443.008(f), such stay of actions against Defendants is in effect for the duration of this proceeding, and the stay of actions against Defendants' property is in effect for as long as the property belongs to the receivership estate.



- 2.10 Pursuant to TEX. INS. CODE § 443.008(d), a stay remains in effect with respect to actions against insureds covered under policies of insurance issued by Defendants. Such stay is in effect for 90 days after the date when the *Plaintiff's Original Petition, Application for Order Appointing Rehabilitator and Request for Injunctive Relief*¹ was filed, or such further time as ordered by this Court.
- 2.11 Pursuant to TEX. INS. CODE § 443.151(a), this proceeding is exempt from any dormancy requirements.
- 2.12 TEX. INS. CODE § 443.001(b) provides that the Insurer Receivership Act may not be interpreted to limit the powers granted to the Commissioner under other provisions of law. Accordingly, this Order shall not be construed as a limitation of the Commissioner's powers granted under such provisions.
- 2.13 Defendants have been provided with proper notice pursuant to Rule 21(a) of the Texas Rules of Civil Procedure.

III. APPOINTMENT OF LIQUIDATOR

The Commissioner is appointed as Liquidator of Defendant, and granted the following duties and powers:

- 3.1 The Liquidator has all powers and authority granted by the Insurer Receivership Act, and any and all other powers and authority under applicable statutes and the common law of this State.
- 3.2 Pursuant to TEX. INS. CODE § 443.151(a), title to all of Defendant's Property, including but not limited to all the assets and rights described in this Order, is vested in the

¹ Filed on February 28, 2013.



Liquidator. The Liquidator is authorized to take control and possession of Defendant's Property, wherever located, and remove all such property from Defendant's premises.

- 3.3 The Liquidator is authorized to conduct the Defendants' business, administer Defendant's operations, and enter into any contracts necessary to perform the Liquidator's duties, at her discretion, pursuant to TEX. INS. CODE § 443.154(a).
- 3.4 Pursuant to TEX. INS. CODE § 443.154, the Liquidator has all the powers of the Defendant's directors, officers, and managers, and the authority of such directors, officers, and managers is suspended, except as permitted by the Liquidator. The Liquidator is authorized to supervise, suspend, terminate, or dismiss any or all of the directors, officers, managers, employees or agents of the Defendant, or retain such persons at her discretion, and compensate them as she deems necessary from the Defendant's funds.
- 3.5 The Liquidator has all of Defendant's rights as the customer of a financial institution. The Liquidator is authorized to withdraw Defendant's Property from any banks, financial institutions and other depositories, agencies of any state or the federal government, and any other entities, or continue the operation of any accounts of Defendant, at her discretion.
- 3.6 The Liquidator is authorized to file, prosecute, defend, or settle any action as she deems necessary, including any action to enforce the provisions of this Order.
- 3.7 Pursuant to TEX. INS. CODE § 443.154, the Liquidator may enter into contracts as necessary to perform her duties, and may assume or reject any executory contract or unexpired lease to which Defendant is a party at her discretion pursuant to TEX. INS. CODE § 443.013.



- 3.8 The Liquidator is authorized to change the locks on any property owned, leased, or occupied by Defendant.
- 3.9 The Liquidator is authorized to exclude any person from any property owned, leased or occupied by Defendant, at her discretion.
- 3.10 The Liquidator is authorized to receive, collect, control, open and review all mail addressed to or intended for Defendant, or arriving at Defendant's address.
- 3.11 Defendants and Defendants' agents shall be required to cooperate with the Liquidator and her designees pursuant to TEX. INS. CODE §443.010.
- 3.12 TEX. INS. CODE § 443.154(a) authorizes the Liquidator to appoint a Special Deputy, and employ or contract with legal counsel and other personnel as she deems necessary pursuant to TEX. INS. CODE §443.154(a). The Special Deputy shall have all the rights and powers of the Liquidator, subject to any limitations imposed by the Liquidator. Pursuant to TEX. INS. CODE §443.015, the Liquidator is authorized to set the compensation of any such Special Deputy or other persons as she deems necessary, and pay for such services from Defendant's funds.
- 3.15 Pursuant to TEX. INS. CODE §443.008(m), the Commissioner is not required to file a bond in connection with this proceeding, in her capacity as Liquidator or otherwise.
- 3.16 Any successor to the Commissioner shall be appointed as the Liquidator of Defendant. In the event a successor is appointed to be the Commissioner, the successor shall become the Liquidator upon his or her appointment as Commissioner, and the former Commissioner shall be discharged as Liquidator as a matter of law.
- 3.17 The enumeration of the Liquidator's powers and authority in this Order shall not be construed as a limitation on the Liquidator to take any other action authorized by the Insurer Receivership Act or other applicable law that is not specified in this Order.



IV. PERMANENT INJUNCTION

The Clerk of this Court shall issue a Permanent Injunction against the persons and entities named below, with the following force and effect:

TO: Defendant and its agents, including but not limited to:

Defendant, its owners (including but not limited to Alpha Partners, Ltd., James Thornton Maxwell, James Doug Maxwell, ZVN, Inc.), affiliates (including but not limited to CSi, Inc., DepoWeb, Inc., smKnowledge, LLC), current and former officers, trustees and directors (including but not limited to James Thornton Maxwell, James Doug Maxwell, Gregory Steible, Lisa Maxwell Steible, John Eric Maxwell, Todd Henry Ridley, Linda Kay Morgan and Holly Pace Maxwell), underwriters, managers, employees, agents, servants, representatives, attorneys, adjusters and other persons or entities acting on behalf of Defendant;

Financial institutions, including but not limited to:

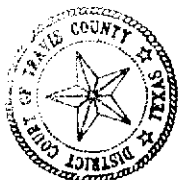
any and all banks, savings and loan associations; trust companies; credit unions; welfare trusts; or any other financial or depository institutions in the possession of any of Defendant's Property (including, but not limited to Bank of Albuquerque, First National Bank of Santa Fe, Frost Bank, Charles Schwab, and US Bank); and

All other parties, including but not limited to:

policyholders, creditors, claimants, reinsurers, insurers, intermediaries, attorneys and all other persons, associations, corporations, or any other legal entities asserting claims or causes of action against Defendant, or in possession of any of Defendant's Property, and the United States Postmaster.

Each of you are hereby RESTRAINED and ENJOINED from taking any and all of the following actions:

- 4.1 Doing, operating, or conducting Defendant's business under any charter, certificate of authority, license, permit, power or privilege belonging to or issued to Defendant, or exercising any direction, control, or influence over Defendant's business, except through the authority of the Liquidator or her designee;



- 4.2 Transacting any business of Defendant's in any manner except through the authority of the Liquidator or her designee;
- 4.3 Wasting, disposing of, converting, dissipating, or concealing, in any manner, any of Defendant's Property;
- 4.4 Using, releasing, transferring, selling, assigning, canceling, hypothecating, withdrawing, allowing to be withdrawn, offsetting, asserting ownership of, concealing, in any manner, or removing from this Court's jurisdiction or from Defendant's place of business, any of Defendant's Property, or any other items purchased by Defendant, or any items into which such property has been transferred, deposited or placed, or any other items owned by Defendant, wherever located, except through the authority of the Liquidator or her designee;
- 4.5 Releasing, transferring, selling, assigning or asserting ownership of, in any manner, any claims, accounts receivable, or causes of action belonging to Defendant, whether asserted or not, except through the authority of the Liquidator or her designee;
- 4.6 Doing anything, directly or indirectly, to prevent the Liquidator or her designee from gaining access to, acquiring, examining, or investigating any of Defendant's Property or any other property, books, documents, records, or other materials concerning Defendant's business, under whatever name they may be found;
- 4.7 Obstructing or interfering in any way with the conduct of this proceeding or any incidental investigation as prohibited by TEX. INS. CODE §443.010(b);

- 4.8 Intervening in this proceeding for the purpose of obtaining a payment from the receivership estate of Defendant as prohibited by TEX. INS. CODE §443.005(i);
- 4.9 Making any claim, charge or offset, or commencing or prosecuting any action, appeal, or arbitration, including administrative proceedings, or obtaining any preference, judgment, attachment, garnishment, or other lien, or making any levy against Defendant, Defendant's Property or any part thereof, or against the Liquidator, except as otherwise permitted by the Insurer Receivership Act.

EACH OF YOU ARE FURTHER SPECIFICALLY ORDERED to make available and disclose to the Liquidator or her designee the nature, amount, and location of Defendant's Property, and immediately surrender all such property to the Liquidator or her designee.

DEFENDANT AND DEFENDANT'S AGENTS ARE FURTHER ORDERED to cooperate with the Liquidator or her designee as required by TEX. INS. CODE §443.010(a).

IT IS FURTHER ORDERED that the United States Postmaster and any other delivery services shall deliver to the Liquidator any items addressed to or intended for Defendant.

V. STAY OF PROCEEDINGS

- 5.1 An automatic stay remains in effect with respect to actions against Defendant or its property pursuant to TEX. INS. CODE § 443.008(c). In accordance with TEX. INS. CODE § 443.008(f), such stay of actions against Defendant is in effect for the duration of this proceeding, and the stay of actions against Defendant's property is in effect for as long as the property belongs to the receivership estate.



5.2 An automatic stay remains in effect with respect to actions against any insured of Defendant for which Defendant is liable under a policy of insurance, or is obligated to defend such insured, pursuant to TEX. INS. CODE § 443.008(d). Such stay is in effect for 90 days after the date when the *Plaintiff's Original Petition, Application for Order Appointing Rehabilitator and Request for Injunctive Relief*² was filed, or such further time as ordered by this Court.

VI. CONTINUATION OF COVERAGE

- 6.1 All reinsurance contracts by which SFAIC has assumed insurance obligations of another insurer are canceled upon entry of this order pursuant to TEX. INS. CODE §443.152(a).
- 6.2 Unless further extended by the Liquidator with the approval of this Court pursuant to TEX. INS. CODE §443.152(b), all policies, insurance contracts, surety bonds or surety undertakings issued by SFAIC in effect at the time of issuance this order shall continue in force only until the earlier of:
- (a) the 30th day after the date of entry of this order;
 - (b) the date of expiration of the policy coverage;
 - (c) the date the insured has replaced the insurance coverage or otherwise terminated the policy;
 - (d) in the event that the Liquidator has effected a transfer of a policy obligation pursuant to TEX. INS. CODE §443.154(h), the date of the transfer;
- or
- (e) the date proposed by the Liquidator to cancel coverage.

² Filed on February 28, 2013.



VII. OTHER ORDERS

- 7.1 This Order shall issue and become effective immediately, and shall continue in full force and effect until the entry of an order by this Court terminating liquidation entered under TEX. INS. CODE § 443.352.
- 7.2 Pursuant to TEX. INS. CODE § 443.055, this Order constitutes a final judgment, provided that this Court shall retain jurisdiction to issue further orders pursuant to the Insurer Receivership Act.
- 7.3 The State of Texas and the Attorney General of Texas shall have a claim for reasonable attorneys' fees and court costs pursuant to TEX. CIV. PRAC. & REM. CODE §§ 64.051 and 66.003 and TEX. GOV'T CODE § 402.006, and the amount and payment of such claim are subject to the provisions of TEX. INS. CODE Chapter 443.
- 7.4 In accordance with TEX. INS. CODE § 443.001(b), this Order does not limit the rights of the Commissioner or the Texas Department of Insurance to take any administrative action or issue any administrative order pursuant to the Texas Insurance Code.
- 7.5 In accordance with TEX. INS. CODE § 443.007(d), the Liquidator and SDR may provide notice of any application by first class mail, electronic mail, or facsimile transmission, at her or its discretion.
- 7.6 The SDR is authorized to keep SFAIC claims account located at Frost Bank, N. A., bearing Account No. XX-XXXXXX8970³, open for no more than 60 days after the

³ The account number is redacted.



issuance of this order and is further authorized to close the account before the sixty day deadline at its discretion.

7.7 Anyone over the age of 18 who is not a party to nor interested in the outcome of this suit may serve all citations, writs and notices in this cause.

7.8 All of the foregoing is subject to further orders of this Court.

SIGNED at Austin, Travis County, Texas, on this the 5 day of April, 2013,

Deile D. Inano
DISTRICT JUDGE PRESIDING

I, AMALIA RODRIGUEZ-MENDOZA, District Clerk, Travis County, Texas, do hereby certify that this is a true and correct copy as same appears of record in my office. Witness my hand and seal of office on 4.5.13

AMALIA RODRIGUEZ-MENDOZA

DISTRICT CLERK

By Deputy:

Jeri Inano

