

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

JUN 22 2010

PATRICIA PRESLEY, COURT CLERK

by _____
DEPUTY

STATE OF OKLAHOMA, ex rel.)
KIM HOLLAND, Insurance)
Commissioner,)
)
Plaintiff,)
)
v.)
)
PEGASUS INSURANCE)
COMPANY, INC.)
)
Defendant.)

CJ - 2010-5131

Case No.

CONSENT ORDER OF REHABILITATION AND PERMANENT INJUNCTION

NOW on this 18th day of June, 2010, there comes on for hearing by the Court the Plaintiff's Petition and Application for Order and Injunctive Relief Appointing Insurance Commissioner as Receiver for Rehabilitation. Plaintiff, State of Oklahoma ex rel. Kim Holland, Insurance Commissioner, appears by and through Michael W. Ridgeway, General Counsel and Kelley C. Callahan, Senior Attorney. Defendant, Pegasus Insurance Company, Inc. ("Pegasus"), waive service of process and appears through Counsel, J. Angela Ables of the firm Kerr, Irvine, Rhodes and Ables. Prior to appearance for, and in lieu of, a hearing, the parties met and reached a consent resolution relating to Plaintiff's Petition and Application. Wayne Stark, owner of 100% of the stock of Pegasus, has consented to the entry of an Order appointing the Oklahoma Insurance Commissioner as receiver for the rehabilitation of Pegasus.

The Court, having examined the Plaintiff's verified Petition and Application, having viewed the evidence presented thus far, having heard the arguments, representations and agreements of the parties, and being well advised in the premises, finds as follows:

1. Kim Holland is the Insurance Commissioner of the State of Oklahoma, and as such is charged with the duty of administering and regulating the state's insurance industry. Pursuant to 36 O.S. §§ 1903 and 1905, the Insurance Commissioner may appear in the District Court to make application for an order directing an insurer to show cause why an Order of Rehabilitation should not be entered and a Receiver appointed.

2. This Court has jurisdiction of this action pursuant to 36 O.S. § 1902 (A).

3. Venue in this Court is appropriate pursuant to 36 O.S. § 1902 (F).

4. Pursuant to 36 O.S. § 1901 (13), a "Receiver" includes the function of rehabilitator.

5. Pegasus is an Oklahoma domesticated insurance company, whose business practices qualify it as an "insurer" pursuant to Oklahoma law, and subject to the insurance supervisory authority of, or to rehabilitation by, the Oklahoma Insurance Commissioner pursuant to 36 O.S. § 1901 (2).

6. Pursuant to 36 O.S. §§ 1905 and 1906, the Insurance Commissioner may apply to the District Court for an Order appointing the Insurance Commissioner as Receiver of a domestic insurer to rehabilitate it pursuant to 36 O.S. § 1901(2) upon specified grounds, including insolvency and hazard to the policyholders, the creditors of Pegasus and the general public.

7. Wayne Stark, the owner of 100% of the stock of Pegasus, has consented to the entry of an order appointing Kim Holland, Oklahoma Insurance Commissioner, as receiver for the purpose of the rehabilitation of Pegasus.

8. Based upon the findings of the Oklahoma Insurance Department, which Pegasus does not contest, sufficient cause exists for the entry of a Consent Order of Rehabilitation with a Finding of Impairment and Entry of Permanent Injunction relating to the Defendant Pegasus

based on the grounds that Pegasus is insolvent and a hazard to the policyholders, the creditors of Pegasus and the general public, and that by majority resolution, its Board of Directors has consented to an order appointing Kim Holland, Oklahoma Insurance Commissioner, as receiver and rehabilitator of Pegasus and has consented to an entry of a Consent Order of Rehabilitation with an uncontested finding of insolvency and hazard to the policyholders, the creditors of Pegasus and the general public.

**IT IS THEREFORE ORDERED AND DECREED, AND THE PARTIES AGREE,
THAT:**

1. Pegasus Insurance Company is hereby placed into receivership for rehabilitation pursuant to the provisions of 36 O.S. § 1901, *et seq.*

2. Based upon the findings of the Oklahoma Insurance Department, which Pegasus Insurance Company does not contest, Pegasus Insurance Company is insolvent and a hazard to the policyholders, the creditors of Pegasus and the general public.

3. Kim Holland, Insurance Commissioner of the State of Oklahoma, is hereby appointed Receiver of Pegasus Insurance Company, and presently directed to rehabilitate the Company, to the extent such rehabilitation is possible, pursuant to the laws of the State of Oklahoma.

4. The Receiver is vested with all powers and authority, express or implied, under the provisions of 36 O.S. § 1901, *et seq.*, in order to rehabilitate Pegasus Insurance Company.

5. The Receiver shall forthwith take possession of the property of Pegasus Insurance Company and conduct its business until further order of the Court.

6. The Receiver is hereby invested by operation of law with the title to all of the property, accounts, assets, contracts, rights of action and all of the books and records of Pegasus Insurance Company, wherever located, now or hereafter discovered, as of the date of the Order.

7. The Receiver is hereby vested by operation of law to assert and prosecute common claims on behalf of policyholders and creditors of the estate.

8. As Receiver and rehabilitator, the Insurance Commissioner may appoint one or more assistant commissioners or receivers to act for her and may employ such counsel, clerks, and assistants as she deems necessary. The Insurance Commissioner's selection of Richard Darling as Assistant Receiver, is hereby approved. The Insurance Commissioner's use of state employees in connection with this action is hereby approved and reimbursement to the Oklahoma Insurance Department for the actual cost to the Department of the salary and benefits of such employees is hereby approved as a Class I expense of the estate. The compensation of the assistant commissioners or receivers, counsel, clerks, or deputies, and all expenses of taking possession of Pegasus Insurance Company, and of conducting the proceedings shall be fixed by the Insurance Commissioner, as Receiver, subject to approval of this Court, and shall be paid out of the funds and assets of Pegasus Insurance Company, as appropriate and approved by the Court. Within the limits of duties imposed upon them, any assistant receiver shall possess all of the powers given to the Receiver and, in the exercise of those powers, shall be subject to all of the duties, powers and limitations imposed upon the Receiver with respect to these proceedings, all pursuant to 36 O.S. § 1914 (F).

9. Pending the Receiver's first application to the Court for approval of administrative fees and expenses, the Receiver is authorized to utilize funds not to exceed \$25,000.00 to cover the initial expenses of this receivership. These expenses shall be itemized

and presented to the Court for approval in the Receiver's first application for approval of administrative fees and expenses.

10. If any legal action is commenced against the Insurance Commissioner, Receiver, assistant commissioners or receivers, retained counsel, deputies, and/or any of their employees or personnel, whether personally or in an official capacity, alleging property damage, property loss, personal injury, or other civil liability caused by or resulting from any alleged act, error, or omission of any such person, the Insurance Commissioner, Receiver, assistant commissioners or receivers, deputies, retained counsel, and/or any of their employees or personnel shall be immune from liability and indemnified as defined and set forth under 36 O.S. § 1937.

11. Until further order of the Court, no obligation, claim or debt of Pegasus Insurance Company shall be paid except those which the Receiver deems to be necessary or appropriate to facilitate the taking of possession or commencement/furtherance of rehabilitation. Except as provided for herein, no distribution of the property of Pegasus Insurance Company will be made without approval of the Court.

12. Pegasus Insurance Company and each of its respective officers, employees, directors, trustees, stockholders, shareholders, members, subscribers, agents, representatives, and all other persons, are hereby permanently enjoined and prohibited from transacting any further business of Pegasus Insurance Company, and are further permanently enjoined and prohibited from wasting, transferring, selling concealing, destroying, disbursing, disposing of, or assigning any assets, contracts, causes of action, funds, records (paper or electronic), correspondence, memoranda, or any other documents or other property of Pegasus Insurance Company, or any of its respective affiliates, or otherwise interfering with the receiver and/or the receivership proceedings and/or the rehabilitation of the company.

13. Pegasus Insurance Company, its respective officers, employees, directors, affiliates, trustees, stockholders, shareholders, members, subscribers, enrollees, insurers, reinsurers, agents, representatives, contractors, subcontractors and all other persons, are hereby directed to assign, transfer and deliver any/all amounts owed to and/or property of Pegasus Insurance Company to the Insurance Commissioner, as Receiver and rehabilitator.

14. Any and all authority of Pegasus Insurance Company's officers and directors is hereby terminated.

15. Until further order from this Court, all persons and entities (including secured creditors, unsecured creditors, claimants and/or litigants) are hereby enjoined and prohibited from wasting, transferring, selling, concealing, destroying, disbursing, disposing and assigning, in any manner, the assets and/or property of Pegasus Insurance Company; and are further enjoined and prohibited from prosecuting any pending action or litigation involving Pegasus Insurance Company (whether as a plaintiff or defendant); obtaining any preferences, judgments, attachments, or other liens against Pegasus Insurance Company; or making any levy against Pegasus Insurance Company or against its assets or any part thereof; or otherwise interfering with the Receiver and/or the rehabilitation proceedings.

16. Any amounts recovered or recoverable from a contractor, reinsurer, or other insurer of Pegasus Insurance Company shall not be reduced as a result of this proceeding.

17. The Court, being duly informed, authorizes the Receiver to pay any and all remaining expenses which were incurred with the approval of the Receiver or the Assistant Receiver since June 16, 2010, but which may not have been fully invoiced and paid prior to the inception of the Pegasus Insurance Company receivership.

18. Unless otherwise ordered by the Court, any violations of this Order or the injunctive relief set forth herein shall be deemed a contempt of Court and shall subject the violating party to such penalties as allowed by law.

Signed the 21 day of June, 2010.

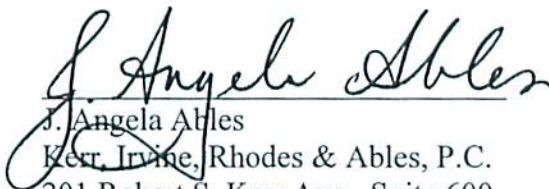
VICKI ROBERTSON
JUDGE OF THE DISTRICT COURT

APPROVED AS TO FORM
AND CONTENT:



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Commissioner

I, PATRICIA PRESLEY, Court Clerk for Oklahoma County, Okla., hereby certify that the foregoing is a true, correct and complete copy of the instrument herewith set out as appears of record in the District Court Clerk's Office of Oklahoma County, Okla., this 22 day of June, 2010
Patricia Presley
PATRICIA PRESLEY, Court Clerk
Deputy



J. Angela Ables
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Insurance Company