

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

DEC 13 2021

RICK WARREN
COURT CLERK

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STATE OF OKLAHOMA, ex rel.,)
GLEN MULREADY, Insurance Commissioner for)
the State of Oklahoma, as Receiver for)
Pegasus Insurance Company, Inc.)

Plaintiff,)

Case No. CJ-2010-5131

Judge Don Andrews

vs.)

PEGASUS INSURANCE COMPANY, INC.,)

Defendant.)

**ORDER APPROVING RECEIVER’S RECOMMENDATION AS TO REMAINING
CLAIMS, AUTHORIZING DISTRIBUTION OF ASSETS, CLOSING ESTATE AND
DISCHARGING RECEIVER**

On the 13th day of December, 2021, the Receiver’s Recommendation as to Remaining Claims, Application to Distribute Assets, Close Estate, and Request for Discharge (the “Application”) came on for hearing. Pegasus Insurance Company, Inc., in liquidation (“Pegasus”), appeared at the hearing through Terry Smith, the Assistant Receiver for Pegasus and Jon Payne legal counsel for the Receiver. The Court, having reviewed the Receiver’s Application and the submissions during the hearing, finds and orders as follows:

1. On June 21, 2010,¹ pursuant to its Consent Order of Rehabilitation and Permanent Injunction, the Court placed Pegasus Insurance Company (“Pegasus”) in rehabilitation and appointed the Insurance Commissioner of the State of Oklahoma as Receiver of Pegasus. Glen Mulready is the Insurance Commissioner and submits this Application acting in his capacity as Receiver of Pegasus. The Pegasus Insurance Company, Inc. receivership estate is referred to herein as the “Pegasus Estate.”

¹The Order was filed with the Oklahoma County District Court Clerk on June 22, 2010.

2. On August 12, 2010, pursuant to its Order of Liquidation with a Finding of Insolvency (“Liquidation Order”), the Court placed Pegasus in liquidation. The Liquidation Order directed Receiver to take possession of the property of Pegasus, to liquidate the business of Pegasus, and to notify all persons holding claims against Pegasus to file proofs of claim within 180 days of the date of that Order.

3. On September 8, 2010, the Receiver filed his Combined Application for Approval of (A) Notices to Potential Claimants & Deadline to File Proof of Claim, (B) Form of Proof of Claim & Instructions, (C) Unconditional Assignment and Application for Approval of Receiver’s Claims Reporting and Evaluation Plan.

4. On September 24, 2010, the Court entered an Order approving the Receiver’s proposed (a) Notice of Liquidation of Insurer & Deadline to File Proof of Claim, (b) Proof of Claim form and Instructions; (c) Unconditional Assignment form; (d) Notice of Action by Oklahoma Department of Insurance to All Certificate Holders of Insureds form; and (e) and Notice of Action by Oklahoma Department of Insurance to All Clients of Insureds form.

5. On April 8, 2011, the Receiver filed the Receiver’s Report on Timely Filed Claims (“Receiver’s Report”).

6. The Court has fully adjudicated all claims presented for adjudication in Classes 2 and below except for: (a) the claim of the Tennessee Insurance Guaranty Association; and (b) the class 9 claims. The Application presents recommendations as to these remaining issues that are addressed below.

6. Pursuant to 36 O.S. §1927.1, the Court has previously approved the Class 1 Administrative expenses of the receivership through June 30, 2021.

7. Pursuant to 36 O.S. §1927.1, the Court previously approved the Assistant Receiver's recommendations for allowance of claims in Classes 2, 3, and 6 as follows:

Class 2: Administrative expenses of guaranty associations ("GA")	\$1,862,088.88
Class 3: Policy claims including GA for payment of covered claims	\$4,503,060.27
Class 6: Claims not specified elsewhere in the priority classes	\$296,670.09

8. Pursuant to 36 O.S. §1927.1, beginning with Class 1, the members of each class must be paid in full or adequate funds retained for such payment, before any member of the next class may receive payment.

9. On December 7, 2017,² the Court approved an Early Access Distribution Plan for Pegasus. As of October 1, 2021, the Receiver has made Class 2 early access distributions of \$2,208,238.88 and Class 3 early access distributions of \$4,665,116.48 to state guaranty associations.

10. The Receiver entered a release agreement with the United States Department of Justice releasing the Receiver from liability under the Federal Priority Statute, 31 U.S.C. § 3713. The Court approved the federal release on December 18, 2020.

11. On December 18, 2020, the Court approved Receiver's Application for Authority to Destroy Documents filed on October 30, 2020. The Receiver has destroyed the subject documents, except for those needed to prepare tax returns and to address Class 9 issues.

12. The Assistant Receiver has marshalled and liquidated all assets and concluded all litigation.

13. The Receiver has faithfully and diligently completed the liquidation and performed the duties assigned to him pursuant to the Oklahoma Uniform Insurers Liquidation Act, 36 O.S. §§ 1901, et. seq., with the exception of certain remaining ministerial tasks described below.

² The Order was filed in the Oklahoma County District Court on December 8, 2017.

FINAL RECOMMENDATION ON CLAIMS

14. The Receiver requests the Court's approval of: (a) the Class 1 expenditures that were incurred between and including July 1, 2021 and November 16, 2021 for Direct Administrative fees and expenses in the amount of \$5,573.52 (Application, Exhibit 1); and (b) Expenses Allocated by Oklahoma Receivership Office, Inc. of \$69.22 for separate expenses and \$17,510.63 in common expenses through October 31, 2021 (Application, Exhibit 2).

15. Based on the claims of the Tennessee Insurance Guaranty Association ("TIGA") as of June 30, 2021, Receiver recommends the Proof of Claim filed by the Tennessee Insurance Guaranty Association ("TIGA") that seeks amounts to be determined be allowed as a **Class 2 claim** in the amount of **\$518,200.13** and as a **Class 3 claim** in the amount of **\$1,526,285.63**.

16. Though served with notice, TIGA neither filed a written objection to the Receiver's recommendation regarding TIGA's claim nor did TIGA appear at the December 13, 2021 hearing.

17. Through its Order in this matter dated September 5, 2019, the Court classified each of the following as a Class 9 claim: (a) the portion of POC # 57 brought by Ameriresource Group Inc. that seeks a payment of interest in the amount of \$12,127.11; and (b) POC #123 brought by CoAdvantage in the amount of \$500,000 (collectively "Class 9 Claims"). The Court has not adjudicated the Class 9 Claims beyond classification to address what amount, if any, should be allowed to either of the Class 9 Claims. (Ameriresource Group Inc. and CoAdvantage are referred to collectively herein as the "Class 9 Claimants.")

18. Because the assets of the Pegasus estate are not expected to allow for a distribution to the Class 9, Receiver recommends that the Court deny the claims as moot rather than expend estate resources preparing and presenting a recommendation as to what amount if any should be allowed to either of the Class 9 Claims.

19. Receiver further recommends that the denial of the Class 9 Claims be without prejudice so that the Class 9 Claims may be reconsidered if it were later determined that the Pegasus estate had sufficient assets to pay to class 9 claims.

APPROVAL OF POST-CLOSING TASKS

19. The Oklahoma Receivership Office, Inc. ("ORO") is a not-for-profit Oklahoma corporation. Its purpose is to assist the Oklahoma Insurance Commissioner, as Receiver of insurance companies subject to delinquency proceedings in Oklahoma. The ORO is a perpetual corporation whose existence is expected to continue after the closure and termination of this estate.

20. Attached as Exhibit 3 to the Application is a Closing Budget that details remaining administrative ministerial tasks necessary to conclude the Pegasus Estate. Those tasks and any others ORO determines in its discretion are necessary to conclude the Pegasus Estate are referred to as the "Post-Closing Tasks." Exhibit 3 to the Application provides an estimate of fees and expenses to be incurred in relation to these tasks.

21. The ORO is the appropriate entity to perform the Post-Closing Tasks, and ORO's performance of those tasks on behalf of Pegasus Estate is in the best interest of the Pegasus Estate.

22. The Receiver requests that the Court expressly authorize and approve the ORO's performance of the Post-Closing Tasks and to use the Closing Account, as defined herein, to pay as determined by ORO, without further notice, hearing or Order of this Court: (a) invoices for reasonable professional services that are not filed with the Court for approval as of the entry of this order; and (b) those reasonable expenses incurred in relation to ORO's performance of Post-Closing Tasks.

APPLICATION FOR FINAL DISTRIBUTION

23. The Pegasus Estate as of November 16, 2021 has \$1,826,772.33 available for distribution and applications for approval and payment of fees and expenses totaling \$6,160.90 were approved by this Court on December 2, 2021.

24. The Receiver requests that the Court approve a Class 1 distribution of \$43,500 to the ORO to fund a separate ledger account for the completion of the Post-Closing tasks identified in Exhibit 3 to the Application (“Closing Account”).

25. The Receiver further requests that the Court approve a final Class 2 distribution in the amount of \$172,050.13 as reflected on Exhibit 4 to the Application.

26. The Receiver further request that the Court approve a final Class 3 distribution in the amount of \$1,364,229.42 as reflected on Exhibit 5 to the Application.

27. The Receiver further requests the Court approve a final Class 6 distribution in the amount of \$240, 831.88 as reflected on Exhibit 6 to the Application. The Receiver further requests that the Court approve distribution of any excess funds following the completion of the Post-Closing Tasks to Class 6 claimants pro rata until the Class 6 claimants are paid the full amount that the Court has allowed for their claims or the excess funds are exhausted, whichever occurs first.

28. In addition, Pegasus holds several judgments (collectively, “Pegasus Judgments”) that the Receiver has not collected. The Pegasus Judgments include the following:

No.	Judgment Debtor	Date	Principal Amount
1	Complete Ready, Inc.	6/12/13	\$12,400.06
2	A Total Resolutions, Inc. a/k/a A Total Resolution, Inc.	6/12/13	\$25,151.16
3	ALT Resource, Inc.	6/25/15	\$4,840.02
4	Complete Resource, Inc.	4/11/17	\$8,621.64
5	A Total Resource, Inc.	4/4/19	\$6,503.55

29. The Receiver requests that the Court enter an order authorizing the assignment of each of the Pegasus judgments to the ORO.

30. The Receiver further requests that the Court authorize the ORO to maintain or dispose of the Pegasus Judgments as it determines, in its discretion, is the best interest of the creditors of the Pegasus Estate and authorizes ORO to be reimbursed all reasonable expenses necessary to so maintain or dispose of the Pegasus Judgments.

31. The Receiver further requests that ORO be directed to distribute the net proceeds from the Pegasus Judgments, if any, after reimbursement of reasonable expenses to either: (a) the Closing Account if the Post-Closing Tasks have not been completed or fully paid for when the net proceeds are received; or (b) to creditors in accordance with 36 O.S. § 1927.1. if the proceeds are received after Post-Closing Tasks are completed and fully paid for.

APPLICATION TO CLOSE ESTATE AND DISCHARGE RECEIVER

32. Having performed and completed his responsibilities as Receiver, the Receiver further requests that the Court's closing order discharge and release the Receiver, Assistant Receiver, and all other agents of the Receiver, without further notice, hearing, or order of this Court, from any claims, responsibilities and liabilities, in relation to Pegasus, whether or not asserted, effective upon the filing of a Post-Closing Report certifying that the Post-Closing Tasks have been completed.

33. Receiver further requests that all claims of liability against Pegasus, its Receiver, Assistant Receiver or their former or present employees or counsel or ORO, arising in relation to Pegasus or the administration of the Pegasus Estate, be deemed forever barred and completely extinguished including any liability with respect to any and all claims arising on or before the date of the filing of the Post-Closing Statement, whether such liability has been reduced to judgment, liquidated or unliquidated, contingent or non-contingent, asserted or unasserted, fixed

or unfixed, matured or unmatured, disputed or undisputed, legal or equitable, known or unknown, and that any such claims be expunged and/or released by the holder thereof, and that the Court order that in no event will Pegasus, its Receiver, Assistant Receiver or their former or present employees or counsel or ORO have any liability for any of the claims so extinguished, or any other claim arising in relation to Pegasus or the administration of the Pegasus Estate.

34. The Receiver further requests that the Court enter an Order that confirms all injunctions and stays entered by the Court, including those in the Liquidation Order, permanently remain in full force and effect and that this Court retains exclusive jurisdiction of the enforcement thereof and to re-open these proceedings as necessary.

35. The Receiver further requests that the Court enter an Order that confirms the Receiver, Assistant Receiver, retained counsel, and any other employee or personnel of the Receiver or Assistant Receiver are entitled to the full protection of OKLA. STAT. tit. 36, § 1937 and shall retain that protection up to and after closure of the Pegasus Estate.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED that:

- a. the following are **APPROVED** as Class 1 expenses in the Pegasus Estate: (a) expenditures that were incurred between and including July 1, 2021 and November 16, 2021 for Direct Administrative fees and expenses in the amount of \$5,573.52 as shown on Exhibit 1 to the Application; and (b) Expenses Allocated by Oklahoma Receivership Office, Inc. of \$69.22 for separate expenses and \$17,510.63 in common expenses through October 31, 2021 as shown on Exhibit 2 to the Application;
- b. a Class 1 distribution to ORO in the amount of \$43,500 to fund the Closing Account for Post-Closing tasks as shown in Exhibit 3 to the Application is hereby **APPROVED**;
- c. the claim of Tennessee Insurance Guaranty Association is **ALLOWED** as a Class 2 claim in the amount of \$518,200.13 and as a Class 3 claim in the amount of \$1,526,285.63;
- d. ORO is **AUTHORIZED** and **DIRECTED** to perform the Post-Closing Tasks, and to use the Closing Account to pay as determined by the ORO, without further notice, hearing or order of this Court: (a) invoices for reasonable professional services that are not filed with the Court for approval as of the entry of the order closing the Pegasus Estate; and (b) those reasonable expenses incurred in connection with the ORO's performance of Post-Closing Tasks;

- e. a final distribution of remaining assets of Pegasus, net of any early access distributions as shown in Exhibit 4, Exhibit 5, and Exhibit 6 to the Application is hereby **APPROVED**;
- f. the assignment of the Pegasus Judgments, as defined in the Application, to the ORO is **APPROVED** and ORO is **DIRECTED** to maintain or dispose of the Pegasus Judgments as it determines, in its discretion, is in the best interest of the creditors of the Pegasus Estate and ORO is hereby **AUTHORIZED** to be reimbursed all reasonable expenses necessary to so maintain or dispose of the Pegasus Judgments;
- g. the Class 9 Claims as defined in the Application are **DENIED** as moot without prejudice and ORO is **DIRECTED** to seek a reopening of the Pegasus estate to further adjudicate the Class 9 Claims if the Pegasus Estate has monies available for a Class 9 distribution after completion of the Post-Closing Tasks and prior to filing the Post-Closing Report;
- h. ORO is **DIRECTED** to distribute the net proceeds from the Pegasus Judgments, if any, after reimbursement of reasonable expenses to either: (a) the Closing Account if the Post-Closing Tasks have not been completed or fully paid for when the net proceeds are received; or (b) to creditors in accordance with 36 O.S. § 1927.1. if the proceeds are received after Post-Closing Tasks are completed and fully paid for;
- i. distribution of any excess funds, following the completion of the Post-Closing Tasks, to Class 6 claimants pro rata until the Class 6 claimants are paid the full amount that the Court has allowed for their claims or the excess funds are exhausted, whichever occurs first is **APPROVED**;
- j. all injunctions and stays entered by the Court, including those in the Liquidation Order, permanently remain in full force and effect and this Court retains exclusive jurisdiction to the enforce all such injunctions and stays;
- k. all claims against Pegasus, the Pegasus Estate, the Receiver, Assistant Receiver, and all other agents of the Receiver or Assistant Receiver are **BARRED**;
- l. the Receiver, Assistant Receiver and all other agents of the Receiver are hereby **DISCHARGED** and **RELEASED** from any claims, responsibilities and liabilities in relation to Pegasus and the Pegasus Estate effective, without further notice, hearing or order of this Court, upon the filing of a Post-Closing Report certifying that the appropriate post-closing ministerial tasks related to the Pegasus Estate have been completed;
- m. all claims of liability against Pegasus, its Receiver, Assistant Receiver, or their former or present employees or counsel or ORO, or the contractors of any of them, arising in relation to Pegasus or the administration of the Pegasus Estate, are forever **BARRED** and completely **EXTINGUISHED** including any liability with respect to any and all claims arising on or before the date of the filing of the Post-Closing Statement, whether such liability has been reduced to judgment, liquidated or unliquidated, contingent or non-contingent, asserted or unasserted, fixed or unfixed, matured or unmatured, disputed or undisputed, legal or equitable, known or unknown, and that any such claims be expunged

and/or released by the holder thereof, and further order that in no event will Pegasus, its Receiver, Assistant Receiver or their former or present employees or counsel or ORO, or the contractors of any of them, have any liability for any of the claims so extinguished, or any other claim arising in relation to Pegasus or the administration of the Pegasus Estate;

- n. Receiver, Assistant Receiver, retained counsel, and any other employee or personnel of the Receiver or Assistant Receiver are entitled to the full protection of OKLA. STAT. tit. 36, § 1937, and shall retain that protection up to and after closure of the Pegasus Estate;
- o. Pegasus is hereby **DISSOLVED** and shall continue as corporate body for a period of four (4) years for purpose of completing the Post-Closing Tasks as defined in the Application and satisfying its indemnity obligations, if any, under OKLA. STAT. tit. 36, § 1937;
- p. ORO is hereby **AUTHORIZED** to distribute any Pegasus funds in the Closing Account or otherwise in the custody of the ORO following the completion of the Post-Closing Tasks and prior to the filing of the Post-Closing Report, to allowed claims of Pegasus creditors pro-rata in the order prescribed by 36 O.S. §1927.1; and
- q. The Pegasus Estate should be and hereby is **CLOSED**, and these proceedings are hereby **TERMINATED** except as otherwise provided in this Order;

Dated this 13th day of December, 2021.

DON ANDREWS

Don Andrews
Judge of the District Court

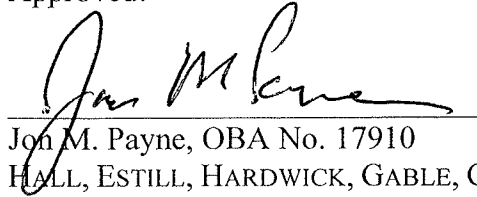
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IN DISTRICT COURT

DEC 13 2021

RICK WARREN COURT CLERK
Oklahoma County

Rick Warren

Approved:



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**ATTORNEYS FOR PLAINTIFF, STATE OF
OKLAHOMA, ex rel., GLEN MULREADY,
Insurance Commissioner for the State of Oklahoma, as
Receiver for Pegasus Insurance Company, Inc., in Liquidation**

CERTIFICATE OF SERVICE

I hereby certify that on the 13th day of December, 2021, a true and correct copy of the above and foregoing instrument was sent via U.S. Mail, postage paid and/or electronic mail with written consent, to

Oklahoma Receivership Office
Donna Wilson / Debra Crowe
dcrowe@okaro.org

PIC Holding Company, Inc.
P.O. Box 729
Alexander City, AL 35011

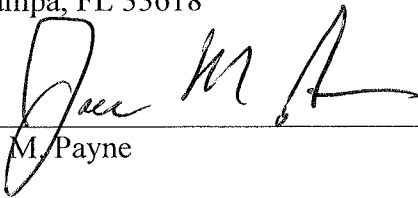
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