

**IN THE DISTRICT COURT FOR OKLAHOMA COUNTY
STATE OF OKLAHOMA**

**STATE OF OKLAHOMA, ex rel.
KIM HOLLAND, Insurance Commissioner,**

Plaintiff,

v.

**SECURITY GENERAL LIFE
INSURANCE COMPANY
A licensed domestic insurer in the
State of Oklahoma, in Receivership**

Defendant.

Case No. CJ-2006-8062

FILED IN THE DISTRICT COURT
OKLAHOMA COUNTY, OKLA.

NOV 13 2006

PATRICIA PRESLEY, COURT CLERK
by _____
DEPUTY

**CONSENT ORDER OF LIQUIDATION WITH
A FINDING OF INSOLVENCY AND PERMANENT INJUNCTION**

Now on this 13th day of November, 2006, there comes for hearing the Court's September 29, 2006, Order Directing Insurer to Show Cause, Allowing Injunctive Relief and Order for Hearing. Plaintiff, Kim Holland, Insurance Commissioner, appears by and through Darren T. Ellingson, Assistant General Counsel, Oklahoma Insurance Department. Defendant, Security General Life Insurance Company ("SGLIC"), appears through Counsel Larry Derryberry, Esq. and Stephen McCaleb, Esq. Prior to appearance for hearing the parties have met and reached a consent resolution to Plaintiff's Application, said resolution being set forth in this Consent Order of Liquidation. The Board of SGLIC resolved in a Board meeting of October 31, 2006 to consent to the entry of an Order appointing the Oklahoma Insurance Commissioner as conservator, rehabilitator and/or liquidator of SGLIC giving the Commissioner the discretion as to those options.

The Court, having examined the Plaintiff's Application and the Court's

September 29, 2006, Order; 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 duly qualified and acting Insurance Commissioner of the State of Oklahoma, and as such is charged with the duty of administrating and regulating the state's insurance industry. Pursuant to 36 O.S. § 1903, the Insurance Commissioner may appear in the District Court to make application for an order directing the insurer to show cause why an Order of Liquidation 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" means receiver, liquidator, rehabilitator, or conservator.

5. Security General Life Insurance Company 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 liquidation, rehabilitation, reorganization or conservation by the Oklahoma Insurance Commissioner, 36 O.S. § 1901(2).

6. Pursuant to 36 O.S. § 1906, the Insurance Commissioner may apply to the District Court for an Order appointing the Insurance Commissioner as Receiver of a domestic insurer and directing the Insurance Commissioner to liquidate a domestic insurer upon specified grounds including insolvency.

7. On October 31, 2006, the Board of Directors of Security General Life Insurance Company unanimously consented to the entry of an order appointing Kim Holland, Oklahoma Insurance Commissioner, as conservator, rehabilitator and/or liquidator of Security General Life Insurance Company and that Security General Life Insurance Company will immediately cease writing any contracts of insurance and will cease operations.

8. Based upon the findings of the Oklahoma Insurance Department, which Security General Life Insurance Company does not contest, sufficient cause exists for the entry of a Consent Order of Liquidation with a Finding of Insolvency of the Defendant Security General Life Insurance Company based on the grounds that Security General Life Insurance Company is insolvent, and that by majority resolution, its Board of Directors have consented to an order appointing Kim Holland, Oklahoma Insurance Commissioner, as conservator, rehabilitator and/or liquidator of Security General Life Insurance Company and have consented to an entry of a Consent Order of Liquidation with an uncontested finding of insolvency.

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

1. Security General Life Insurance Company is hereby placed into receivership pursuant to the provisions of 36 O.S. § 1901, *et seq.*

2. Based upon the findings of the Oklahoma Insurance Department, which Security General Life Insurance Company does not contest, Security General Life Insurance Company is insolvent.

3. Kim Holland, Insurance Commissioner of the State of Oklahoma, is hereby appointed Receiver of Security General Life Insurance Company, and presently directed to liquidate said entity 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 liquidate Security General Life Insurance Company.

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

6. The Receiver is hereby vested 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 Security General Life 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, 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 Randall Calvert, of the Calvert Law Firm, as counsel for the Receiver is hereby approved. The Insurance Commissioner's selection of Richard S. Darling, as Assistant Receiver, is hereby approved. The Insurance Commissioner's selection of Darren T. Ellingson, as Deputy Receiver, is hereby approved and reimbursement to the Oklahoma Insurance Department for the actual cost to the Department of the salary and benefits of

the Deputy Receiver 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 Security General Life 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 of assets of Security General Life 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. 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 Security General Life 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 liquidation. Except as provided for herein, no distribution of the property of Security General Life Insurance Company, will be made without approval of the Court.

12. Security General Life 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 Security General Life 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, correspondence, memoranda, or any other documents or other property of Security General Life Insurance Company, or any of its respective affiliates.

13. Security General Life 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 Security General Life Insurance Company to the Insurance Commissioner, as Receiver. However, the parties are in agreement that on September 11, 2006, a check from Security General Life Insurance Company in the amount of \$25,000.00 was placed into the client trust account of the Derryberry and

Naifeh law firm. The law firm has advised that the purpose of the \$25,000.00 was to pay for reconstruction of a retaining wall on a neighbor's property, pursuant to a Settlement Agreement entered into on July 19, 2006, in a lawsuit styled as **CP Management, L.L.C. vs. Abundant Mini Storage, L.L.C. and Abundant Mini Storage, Inc., Oklahoma County Case No. CJ-2004-8128**. The parties agree that this Court should decide how SGLIC's funds being held in trust should be disposed of.

14. Any and all authority of Security General Life 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 Security General Life Insurance Company; and are further enjoined and prohibited from prosecuting any pending action or litigation involving Security General Life Insurance Company (whether as a plaintiff or defendant); obtaining any preferences, judgments, attachments, or other liens against Security General Life Insurance Company; or making any levy against Security General Life Insurance Company or against its assets or any part thereof.

16. Any amounts recovered or recoverable from contractor, reinsurer, or other insurer of Security General Life Insurance Company shall not be reduced as a result of this delinquency 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 the Court's September 29, 2006, Order Directing Insurer to

Show Cause, Allowing Injunctive Relief and Order for Hearing but which may not have been fully invoiced and paid prior to the inception of the Security General Life Insurance Company receivership.


18. Unless otherwise ordered by this 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.

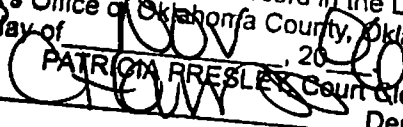
Signed this 13th day of November, 2006.

PATRICIA G. PARRISH

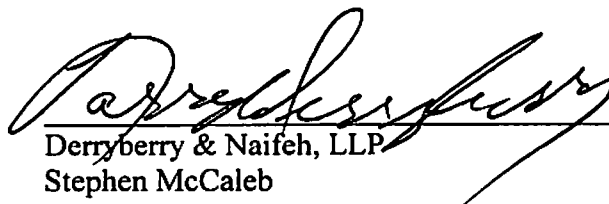
JUDGE OF THE DISTRICT COURT

APPROVED:


Michael W. Ridgeway
Darren T. Ellingson
Attorney for Plaintiff

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 13 day of NOV, 2006.
By  PATRICIA PRESLEY, Court Clerk Deputy

APPROVED:


Derryberry & Naifeh, LLP
Stephen McCaleb
Larry Derryberry
Attorney for Defendant