

At the Supreme Court of the State
of New York, County of Albany, at
the courthouse, 16 Eagle Street,
County and City of Albany, State
of New York, on the 9th day of
November, 2012.

PRESENT:

HON. RICHARD M. PLATKIN, J.S.C.

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In the Matter of

Index No. 000097/2006

the Rehabilitation of

ORDER OF LIQUIDATION

FRONTIER INSURANCE COMPANY

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Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York ("Superintendent"), having moved this Court by order to show cause ("Order to Show Cause") for an order converting the rehabilitation proceeding of Frontier Insurance Company ("Frontier") to a liquidation proceeding, and upon reading the petition of the Superintendent, duly verified the 18th day of July, 2012; the affidavit of Al Escobar, Chief Executive Officer of Frontier, sworn to July 17, 2012, and the exhibits annexed thereto; all answering and reply papers; all prior proceedings and papers in this proceeding, this Court finds that:

1. Frontier was placed into rehabilitation and the Superintendent and his successors in office were appointed Rehabilitator by order of the Supreme Court of the State of New York, County of New York ("Rehabilitation Order") entered October 15, 2001;
2. Frontier is insolvent;
3. Further efforts to rehabilitate Frontier would be futile;
4. Frontier is subject to the New York Insurance Law ("Insurance Law") and, particularly, to Article 74 thereof; and

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5. It is in the best interest of all persons concerned that, based upon Article 74 of the Insurance Law, the Superintendent should be appointed Liquidator and vested with title to all of Frontier's property, contracts and rights of action and directed to liquidate its business and affairs;

~~NOW, on motion of the Honorable Eric T. Schneiderman, Attorney General of the State of New York, it is hereby~~

ORDERED as follows:

1. The relief requested in the petition for an order of liquidation is granted;
2. The rehabilitation proceeding of Frontier is converted to a liquidation proceeding;
3. The Superintendent, and his successors in office, are appointed Liquidator of Frontier and are: (i) vested with all powers and authority expressed or implied under Insurance Law Article 74, in addition to the powers and authority set forth in this Order; (ii) vested with title to all of Frontier's property, contracts and rights of action as of the date of entry of this Order; and (iii) directed to liquidate Frontier's business and affairs in accordance with Insurance Law Article 74;
4. The Liquidator may deal with the property and business of Frontier in its name or in the name of the Liquidator;
5. The injunctions provided for in the Rehabilitation Order and in Insurance Law Section 7419 are continued and granted, including permanently enjoining and restraining all persons from: (i) transacting Frontier's business; (ii) wasting or disposing of Frontier's property; (iii) interfering with the Superintendent as Liquidator in the possession, control or management of Frontier's property or in the discharge of his duties; (iv) commencing or prosecuting any actions, lawsuits, or proceedings against Frontier or the Superintendent as Liquidator; and (v) obtaining preferences, judgments, attachments or other liens or making levy against Frontier's property or any part thereof;
6. All parties are permanently enjoined and restrained from commencing or prosecuting any actions or proceedings, or efforts to collect on debts or judgments, against Frontier, the Liquidator or the New York Liquidation Bureau, their present or former employees or attorneys, with respect to this proceeding or the discharge of their duties under Insurance Law Article 74;

6-a. The injunctions and restraints set forth in ~~para~~ paragraphs 5 and 6 of this Order shall not apply to applications brought before this Court or actions or proceedings commenced or prosecuted with the prior approval of this Court.

RP
In relation to Frontier or this proceeding

RP

7. All parties to actions, lawsuits and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise are enjoined and restrained from proceeding with any applications for judgment or proceedings on settlement or judgment and the making of all liens, levies or other efforts to execute or collect on debts or judgments for a period of 90 days from the entry of this Order;
8. All persons who have first-party or New York Comprehensive Automobile Insurance Repairation Act (No Fault) policyholder loss claims against Frontier are enjoined and restrained from presenting and filing claims with the Liquidator for a period of 90 days from the entry of this Order;
9. The Liquidator is vested with all of Frontier's rights under all its contracts and agreements, including all leases, tax agreements, insurance policies and employment contracts, however described, unless the Liquidator expressly terminates such contracts or agreements, in which case all liability under such contracts or agreements shall cease and be fixed as of the date of termination;
10. Any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody or control of any of Frontier's funds, accounts or assets shall immediately, upon the Liquidator's request and direction: (i) turn over custody and control of such funds, accounts or assets to the Liquidator; (ii) transfer title of such funds, accounts or assets to the Liquidator; (iii) change the name of such accounts to the name of the Liquidator; (iv) transfer funds from such bank, savings and loan association or other financial institution to a bank; savings and loan association or other financial institution designated by the Liquidator; or (v) take any other action necessary for the proper conduct of the liquidation proceeding;
11. All persons or entities having any property and/or information, including, but not limited to, insurance policies, claims files (electronic or paper), software programs, and/or bank records owned by, belonging to or relating to Frontier, shall preserve such property and/or information and immediately, upon the Liquidator's request and direction, assign, transfer, turn over and deliver such property and/or information to the Liquidator;
12. The Liquidator is authorized, permitted and allowed to sell, assign or transfer any and all stocks, bonds or other securities, and any other personal property of Frontier at market price or at the best price obtainable at private sale, at such times and upon such terms and conditions as, in his discretion, he deems is in the best interest of the creditors of Frontier, and to take such steps as may be necessary to effect and carry out such sales, transfers and assignments;
13. In the event that the Liquidator shall seek to sell, assign or transfer any real property of Frontier, ~~shall~~ enter into any agreement with either of Frontier

and/or otherwise sell or dispose of assets of Frontier exceeding \$2,500 in value, (RP)

Insurance Group, LLC or Lancer Financial Group, Inc., such sale, assignment, (RP) disposition (RP) transfer, or the effectiveness of such agreement shall be subject to the approval of this Court; such approval shall be sought by motion of the Liquidator to this Court upon notice to counsel for those individuals and entities that submitted answering papers pursuant to the Order to Show Cause;

14. As set forth in Insurance Law Section 7433(b)(2), the Liquidator shall, within thirty days after the last day set for filing claims, make a list of all persons whose name appears on the books and records of the company as policyholders or claimants; each person whose name appears upon such list shall be deemed to have duly filed a proof of claim prior to the last day set for the filing of claims;
15. Subject to the provision of Insurance Law Section 7433(b)(2) referred to above, in accordance with Insurance Law Section 7432(b), all persons who may have claims against Frontier shall present the same to the Liquidator at the offices of the New York Liquidation Bureau, 110 William Street, New York, New York 10038, Attn.: Creditor and Ancillary Operations Division, within four months of the date of entry of this Order, and proofs of claim (as described in Insurance Law Section 7433(a)(1)) may be filed subsequent to the date specified in Insurance Law Section 7432(b), but, no such claim shall share in the distribution of the assets until all allowed claims, proofs of which were filed (or deemed filed pursuant to Insurance Law Section 7433(b)(2)) before such specified date, have been paid in full with interest.
16. The Liquidator is authorized to pay actual and necessary administrative costs and expenses of Frontier out of the assets of Frontier;
17. If, within the rehabilitation proceeding that is hereby converted into a liquidation proceeding, a claim was previously adjudicated and allowed, such claim shall be an allowed claim for the purposes of the liquidation proceeding without further filing or proceeding;
- 17-a. *The Interim Procedure Order and all appointments made hereunder shall remain in effect* (RP)
18. Any person who has a cause of action against an insured of Frontier under a liability insurance policy issued by Frontier, shall have the right to file a claim in the proceeding, even though the claim is contingent, and such claim may be allowed in accordance with Article 74 of the Insurance Law;
19. Under the direction of this Court any distribution of assets, including payment in respect of claims, shall be in accordance with the priorities set forth in Insurance Law Article 74;
20. The Liquidator may at any time make further application to this Court for such further and different relief as he sees fit;

21. The Liquidator shall serve a copy of this Order upon (i) Al Escobar, Chief Executive Officer of Frontier, 195 Lake Louise Marie Road, Rock Hill, NY 12775; (ii) Lancer Financial Group, Inc., 370 West Park Avenue, Long Beach, NY 11561; (iii) Walther, Roark & Gay, PLC, Attorneys for Commonwealth of Kentucky Department of Workers' Claims and Kentucky Coal Employers' Self-Insurance Guaranty Fund, (Jonathan L. Gay, of counsel), 163 East Main Street, Suite 200, P. O. Box 1598, Lexington, KY 40588-1598; (iv) Hargraves McConnell & Costigan, P.C., Attorneys for Commonwealth of Kentucky Department of Workers' Claims and Kentucky Coal Employers' Self-Insurance Guaranty Fund, (John McConnell, of counsel), The Helmsley Building, 230 Park Avenue, New York, NY 10169; (v) Stuart F. Delery, Acting Assistant Attorney General, Attorney for the United States, (Frances M. McLaughlin, of counsel), United States Department of Justice, Civil Division, P. O. Box 875, Ben Franklin Station, Washington, DC 20044; (vi) Ficara & Associates, P.C., Attorneys for Callon Petroleum, The Martin Family Charitable Trust and Logo Holdings, LLC, (Donald J. Cayea, of counsel), 155 Pinelawn Road, Suite 240N, Melville, NY 11747; (vii) Arnstein & Lehr, LLP, Attorneys for The Martin Family Charitable Trust, (Mary Cannon Veed, of counsel), 120 South Riverside Plaza, Suite 1200, Chicago, IL 60606, (viii) Wharton Law Group, Attorneys for Logo Holdings, LLC, (Margaret A. Wharton, of counsel), 456 South Central Avenue, P. O. Box 621172, Oviedo, FL 32762-1172; (ix) Chadbourne & Parke, LLP, (Richard G. Liskov, of counsel), 30 Rockefeller Plaza, New York, NY 10011, (x) Morrison Cohen LLP, Attorneys for Unit 82 Joint Venture, (Y. David Scharf, of counsel), 909 Third Avenue, New York, NY 10022; (xi) Patrick F. Adams, P.L.L.C., Attorney for St. John's the Baptist Diocesan High School, (Gary A. Pagliarello, of counsel), 3500 Sunrise Highway, Building 300, Great River, NY 11739; (xii) Lazlo Komjathy, Jr., Esq., Attorney for California Department of Insurance, Legal Division, Corporate Affairs Bureau, 45 Fremont Street, 24th Fl., San Francisco, CA 94105; (xiii) Locke Lord, LLP, Attorneys for Frontier Insurance Company Coordinating Committee, (Thomas W. Jenkins, of counsel), 111 South Wacker Drive, Chicago, IL 60606;
22. The Liquidator shall provide notice of this Order to all creditors, claimants and other interested persons by: (i) posting this Order on the Internet web page maintained by the New York Liquidation Bureau at <http://www.nylb.org> within 15 days after the entry of this Order; and (ii) publication of notice of this Order in *Business Insurance* once a week in two consecutive publication weeks, commencing within four weeks of entry of this Order, in a form substantially similar to the one attached hereto; (conformed to reflect the terms of the executed Order) (RP)
23. Such notice shall inform all creditors, claimants and other interested persons that this Order has been entered;
24. The notice prescribed in decretal paragraphs 21 and 22 hereof is sufficient notice to all persons interested in Frontier;

25. This Court shall retain jurisdiction over this matter for all purposes;

26. The caption to this proceeding is hereby amended as follows:

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF ALBANY

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In the Matter of

the Liquidation of

FRONTIER INSURANCE COMPANY.

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27. All further papers in this proceeding shall bear the above amended caption.

28. The Liquidator shall serve a conformed copy of this order upon the county clerk and the clerk of the trial support office for amendment of this Court and computer records.

ENTER



J.S.C.

HON. RICHARD PLATKIN, A.J.S.C.

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**NEW YORK LIQUIDATION BUREAU
110 WILLIAM STREET
NEW YORK, NEW YORK 10038
(212) 341-6755**

To all persons or entities
interested in the affairs of

FRONTIER INSURANCE COMPANY

Notice is Hereby Given:

I. Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York ("Superintendent"), has been appointed by order of the Supreme Court of the State of New York, Albany County ("Court"), entered [Insert Date] (the "Liquidation Order"), as the liquidator (the "Liquidator") of Frontier Insurance Company ("Frontier") and, as such, has been: (i) vested with all powers and authority expressed or implied under New York Insurance Law ("Insurance Law") Article 74, in addition to the powers and authority set forth in the Liquidation Order; (ii) vested with title to all of Frontier's property, contracts and rights of action as of the date of entry of the Liquidation Order; and (iii) directed to liquidate Frontier's business and affairs in accordance with Insurance Law Article 74. The Liquidator has, under Insurance Law Article 74, appointed Michael J. Casey, Acting Special Deputy Superintendent (the "Acting Special Deputy") as his agent to liquidate the business of Frontier. The Acting Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038.

II. The Liquidator may deal with the property and business of Frontier in its name or in the name of the Liquidator.

III. All persons are permanently enjoined and restrained from: (i) transacting Frontier's business; (ii) wasting or disposing of Frontier's property; (iii) interfering with the Superintendent as Liquidator in the possession, control or management of Frontier's property or in the discharge of his duties; (iv) commencing or prosecuting any actions, lawsuits, or proceedings against Frontier or the Superintendent as Liquidator; and (v) obtaining preferences, judgments, attachments or other liens or making levy against Frontier's property or any part thereof.

IV. All parties are permanently enjoined and restrained from commencing or prosecuting any actions or proceedings, or efforts to collect on debts or judgments, against Frontier, the Liquidator or the New York Liquidation Bureau, their present or former employees or attorneys, with respect to this proceeding or the discharge of their duties under Insurance Law Article 74.

V. All parties to actions, lawsuits and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise are enjoined and restrained from proceeding with any applications for judgment or proceedings on settlement or judgment and the making of all liens, levies or other efforts to execute or collect on debts or judgments for a period of 90 days from the date of entry of the Liquidation Order.

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VI. All persons who have first-party or New York Comprehensive Automobile Insurance Reparation Act (No Fault) policyholder loss claims against Frontier are enjoined and restrained from presenting and filing claims with the Liquidator for a period of 90 days from the date of entry of the Liquidation Order.

VII. The Liquidator is vested with all of Frontier's rights under all its contracts and agreements, including all leases, tax agreements, insurance policies and employment contracts, however described, unless the Liquidator expressly terminates such contracts or agreements, in which case all liability under such contracts or agreements shall cease and be fixed as of the date of termination.

VIII. Any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody or control of any of Frontier's funds, accounts or assets shall immediately, upon the Liquidator's request and direction: (i) turn over custody and control of such funds, accounts or assets to the Liquidator; (ii) transfer title of such funds, accounts or assets to the Liquidator; (iii) change the name of such accounts to the name of the Liquidator; (iv) transfer funds from such bank, savings and loan association or other financial institution to a bank; savings and loan association or other financial institution designated by the Liquidator; or (v) take any other action necessary for the proper conduct of the liquidation proceeding.

IX. All persons or entities having any property and/or information, including, but not limited to, insurance policies, claims files (electronic or paper), software programs, and/or bank records owned by, belonging to or relating to Frontier, shall preserve such property and/or information and immediately, upon the Liquidator's request and direction, assign, transfer, turn over and deliver such property and/or information to the Liquidator.

X. The Liquidator is authorized, permitted and allowed to sell, assign or transfer any and all stocks, bonds or other securities, and any other personal property of Frontier at market price or at the best price obtainable at private sale, at such times and upon such terms and conditions as, in his discretion, he deems is in the best interest of the creditors of Frontier, and to take such steps as may be necessary to effect and carry out such sales, transfers and assignments.

XI. In the event that the Liquidator shall seek to sell, assign or transfer any real property of Frontier and/or enter into any agreement with either of Frontier Insurance Group, LLC or Lancer Financial Group, Inc., such sale, assignment, transfer, or the effectiveness of such agreement shall be subject to the approval of the Court; such approval shall be sought by motion of the Liquidator to the Court upon notice to counsel for those individuals and entities that submitted answering papers pursuant to the Order to Show Cause.

XII. As set forth in Insurance Law Section 7433(b)(2), the Liquidator shall, within thirty days after the last day set for filing claims, make a list of all persons whose name appears on the books and records of the company as policyholders or claimants; each person whose name appears upon such list shall be deemed to have duly filed a proof of claim prior to the last day set for the filing of claims.

XIII. Subject to the provision of Insurance Law Section 7433(b)(2) referred to above, in accordance with Insurance Law Section 7432(b), all persons who may have claims against Frontier shall present the same to the Liquidator at the offices of the New York Liquidation Bureau, 110 William Street, New York, New York, 10038, Attn.: Creditor and Ancillary Operations Division, within four months of the date of entry of the Liquidation Order, and proofs of claim (as described in Insurance Law Section 7433(a)(1)) may be filed subsequent to the date specified in Insurance Law Section 7432(b), but, no such claim shall share in the distribution of the assets until all allowed claims, proofs of which were filed (or deemed filed pursuant to Insurance Law Section 7433(b)(2)) before such specified date, have been paid in full with interest.

XIV. The Liquidator is authorized to pay actual and necessary administrative costs and expenses of Frontier out the assets of Frontier.

XV. If, within the rehabilitation proceeding that has been converted into a liquidation proceeding, a claim was previously adjudicated and allowed, such claim shall be an allowed claim for the purposes of the liquidation proceeding without further filing or proceeding.

XVI. Any person who has a cause of action against an insured of Frontier under a liability insurance policy issued by Frontier, shall have the right to file a claim in the proceeding, even though the claim is contingent, and such claim may be allowed in accordance with Article 74 of the Insurance Law.

XVII. Under the direction of the Court any distribution of assets, including payment in respect of claims, shall be in accordance with the priorities set forth in Insurance Law Article 74.

XVIII. The Liquidator may at any time make further application to the Court for such further and different relief as he sees fit.

XIX. The Court shall retain jurisdiction over this matter for all purposes.

XX. All communications relating to Frontier and to the liquidation thereof should be addressed to:

New York Liquidation Bureau
110 William Street
New York, New York 10038
Attn.: General Counsel
(212) 341-6560

BENJAMIN M. LAWSKY
Superintendent of Financial Services of
the State of New York as Liquidator
of Frontier Insurance Company

MICHAEL J. CASEY
Acting Special Deputy Superintendent
and Agent for the Superintendent as Liquidator of
Frontier Insurance Company