

OCT 31 2013

Cause No. D-1-GV-13-001153

At 9:16 AM M.
Amalia Rodriguez-Mendoza, Clerk

THE STATE OF TEXAS,
Plaintiff

v.

SAN ANTONIO INDEMNITY COMPANY
Defendant

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IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

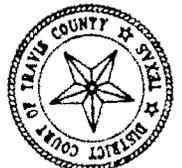
201ST JUDICIAL DISTRICT

**ORDER APPOINTING LIQUIDATOR, PERMANENT INJUNCTION,
AND NOTICE OF AUTOMATIC STAY**

On this day, the Court heard the *Application for Order Appointing Liquidator and Request for Injunctive Relief* (“Application”) filed by the State of Texas, at the request of the Commissioner of Insurance for the State of Texas (“Commissioner”). The Application requests an order placing San Antonio Indemnity Company (“Defendant”) 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, restraining Defendant and its agents from conducting Defendant’s business, and restraining other parties from taking any actions against Defendant or its property in violation of the Insurer Receivership Act.

The State of Texas appeared by and through the Office of the Attorney General. Defendant appeared by and through its counsel of record. 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 has a total adjusted capital that is less than required under TEX. INS. CODE ch. 822 or applicable rules or guidelines adopted under TEX. INS. CODE § 822.210.
- 1.3 Defendant has waived citation and service of process of the Application. In addition, Defendant has consented to entry of *Order Appointing Liquidator, Permanent Injunction, and Notice of Automatic Stay*, pursuant to TEX. INS. CODE § 443.057(20).

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).
- 2.2 Grounds have been established to place Defendant into liquidation under TEX. INS. CODE § 443.057. These grounds include, but are not limited to, the findings that Defendant is insolvent as that term is defined in TEX. INS. CODE § 443.004(a)(13).
- 2.3 In accordance with TEX. INS. CODE § 443.058, Plaintiff 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 TEX. INS. CODE § 443.151. 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 Pursuant to TEX. INS. CODE § 443.008(c), an automatic stay is in effect with respect to actions against Defendant or Defendant's Property, effective on the commencement of this proceeding. Pursuant to TEX. INS. CODE § 443.008(d), an automatic stay is in effect with respect to actions against insureds of Defendant, commencing on the entry of



Order. In addition to the stays under TEX. INS. CODE § 443.008, a stay is in effect upon the designation of Defendant as an “impaired insurer” pursuant to TEX. INS. CODE § 462.309.

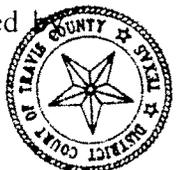
- 2.9 Pursuant to TEX. INS. CODE § 443.008(a), this Court may issue any stay or injunction as necessary or appropriate to carry out the Insurer Receivership Act. It is necessary for this Court to issue a permanent injunction pursuant to TEX. INS. CODE § 443.008(a) to carry out the provisions of TEX. 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.
- 2.10 Pursuant to TEX. INS. CODE § 443.151(a), this proceeding is exempt from any dormancy requirements.
- 2.11 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.



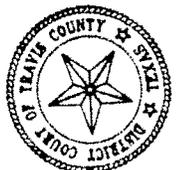
III. APPOINTMENT OF LIQUIDATOR

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

- 3.1 The Liquidator has all powers and authority granted by the Insurer Receivership Act, specifically, without limitation, TEX. INS. CODE § 443.151 *et seq.*, 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 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 Pursuant to TEX. INS. CODE § 443.154(w), the Liquidator is vested with all of Defendant's rights. The Liquidator is authorized to direct, manage, and supervise Defendant's directors, officers, managers, employees, or agents, and compensate them as she deems necessary from Defendant's funds, or to suspend or discharge such persons at her discretion.
- 3.4 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. Such discretion includes, but is not limited to, continuing the operation of accounts to permit the payment of claim checks under policies of insurance issued by Defendant in the ordinary course of business prior to the entry of this Order.



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- 3.5 The Liquidator is vested with all legal remedies available to Defendant pursuant to TEX. INS. CODE § 443.154(w). 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.
- 3.6 Pursuant to TEX. INS. CODE § 443.154(k), 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.
- 3.7 The Liquidator is authorized to change the locks on any property owned, leased, or occupied by Defendant.
- 3.8 The Liquidator is authorized to exclude any person from any property owned, leased, or occupied by Defendant, at her discretion.
- 3.9 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.
- 3.10 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 § 443.015(e), 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. The Liquidator's designees and any Special Deputy appointed under TEX. INS. CODE § 443.154(a) have all the rights and powers of the Liquidator, subject to any limitations imposed by the Liquidator.



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- 3.11 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.
- 3.12 In accordance with TEX. INS. CODE § 443.151(a), 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 appointment as Commissioner, and the former Commissioner shall be discharged as Liquidator as a matter of law.
- 3.13 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 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 Quirk Group, Inc.; Robert C. Quirk; Gary Jackson; Rosemary C. Quirk; Bob Sales; Thomas Quirk; Richard Moye; Eldon L. Jones; Christopher Quirk; Colleen Q. Derk; Robert Justin Jones; Cathleen Lane; The Mary Lee and William B. Rourke, Jr. Family Trust; J. Michael Quirk; H.L.K. Harris; Molly B. Quirk; Ruth Olson; Kevin T. Riley; Charles G. Mills; Marlene Schwarz; William H. Quirk, IV), affiliates (including but not limited to Quirk & Company; Mission Claims Services, Inc.; Dragonflyware, LLC; Texas EX Auto, LLC; Bejar Indemnity; QAS Bermuda, LTD), current and former officers, trustees and directors (including but not limited to Robert Clopton Quirk; Karen Sue Quirk; Lucrecia Decena; Jose Roberto Serna; Christopher Quirk; Richard Philip Moye; Gary Jon Jackson; Ramiro Charles Cantu; Ramiro Fernandez Cantu; Antonio Patrick Litonjua), 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 Frost Bank, Texstar National Bank, and IBC Bank); and

All other parties, including but not limited to:

creditors, claimants, 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.

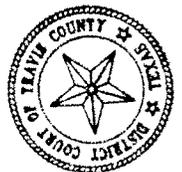
Each of you are hereby RESTRAINED and ENJOINED from taking any and all of the following actions:

- 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 designees;
- 4.2 Transacting any business of Defendant's in any manner except through the authority of the Liquidator or her designees;
- 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 in 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 designees;

- 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 designees;
- 4.6 Doing anything, directly or indirectly, to prevent the Liquidator or her designees 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 Interfering with these proceedings or with the lawful acts of the Liquidator or her designees in any way;
- 4.9 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);
- 4.10 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 permitted by the Insurer Receivership Act.



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

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

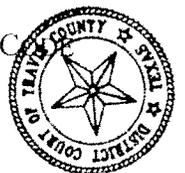
IT IS FURTHER ORDERED that the United States Postmaster and any other delivery services shall deliver to the Liquidator any items addressed to or intended for Defendant.

V. STAY OF PROCEEDINGS

- 5.1 An automatic stay is in effect with respect to actions against Defendant or Defendant's 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 is in effect with respect to actions against any insured of Defendant for which Defendant is or may be liable under a policy of insurance, or is obligated to defend such insured, pursuant to TEX. INS. CODE § 443.008(d). Such stay shall continue for 90 days after the date of this Order, or such further time as ordered by this Court.

VI. CONTINUATION OF COVERAGE

- 6.1 All reinsurance contracts by which Defendant 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 Defendant in effect at the time of issuance this Order shall continue in force only until the earlier of:

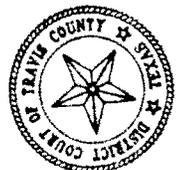
- (a) the 30th day after the date of entry of this Order;
- (b) the date of expiration of the policy coverage;
- (c) the date the insured has replaced the insurance coverage or otherwise terminated the policy;
- (d) the date of any transfer of a policy obligation by the Liquidator pursuant to TEX. INS. CODE § 443.154(h); or
- (e) the date proposed by the Liquidator to cancel coverage.

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 under TEX. INS. CODE § 443.352.

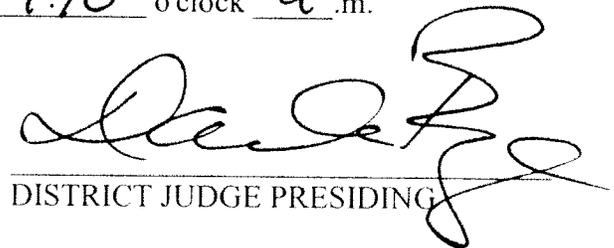
7.2 Pursuant to TEX. INS. CODE § 443.055, this Order constitutes a final judgment, provided that this Court shall retain jurisdiction to issue further orders pursuant to the Insurer Receivership Act.

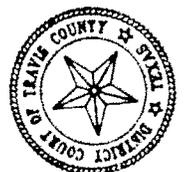
7.3 The State of Texas and the Attorney General of Texas shall have a claim for reasonable attorneys' fees and court costs pursuant to TEX. GOV'T CODE § 402.006, and the amount and payment of such claim are subject to the provisions of TEX. INS. CODE ch. 443.



- 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.
- 7.5 Notice of Plaintiff's petition and this Order shall be provided under TEX. INS. CODE § 443.052(b) by first class mail or electronic communication.
- 7.6 Pursuant to TEX. INS. CODE § 443.007, the Liquidator may provide notice of any application in the time periods prescribed in Rule 21(a) of the Texas Rules of Civil Procedure if she determines that an expedited hearing is necessary. In accordance with TEX. INS. CODE § 443.007(d), the Liquidator may provide notice of any application by first class mail, electronic mail, or facsimile transmission, at her discretion.
- 7.7 Anyone over the age of 18 whom 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 31 day of Oct., 2013, at 9:10 o'clock a.m.


DISTRICT JUDGE PRESIDING



AGREED AS TO FORM AND SUBSTANCE this 31 day of Oct 2013 :

By: Anthony P. Bolson
ANTHONY BOLSON
Financial Litigation, Tax, and Charitable Trusts Division
State Bar No. 24082198
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ATTORNEYS FOR PLAINTIFF
THE STATE OF TEXAS

AGREED AS TO FORM ONLY this 31 day of Oct. 2013 :

By: Thomas J. Bond
Thomas J. Bond
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300 West 6th Street
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ATTORNEYS FOR DEFENDANT
SAN ANTONIO INDEMNITY COMPANY

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 10-31-13



AMALIA RODRIGUEZ-MENDOZA
DISTRICT CLERK

By Deputy: [Signature]

