

NO. D1-GN-06-002366

STATE OF TEXAS	§	IN THE DISTRICT COURT OF
<i>Plaintiff,</i>	§	
	§	
v.	§	
	§	TRAVIS COUNTY, TEXAS
VESTA FIRE INSURANCE CORPORATION,	§	
VESTA INSURANCE CORPORATION,	§	
SHELBY CASUALTY INSURANCE	§	
COMPANY, THE SHELBY	§	
INSURANCE COMPANY,	§	
TEXAS SELECT LLOYDS	§	
INSURANCE COMPANY, SELECT	§	
INSURANCE SERVICES, INC., and	§	
AMERICAN FOUNDERS FINANCIAL	§	
CORPORATION	§	
<i>Defendants</i>	§	126th JUDICIAL DISTRICT

APPLICATION TO APPROVE FINAL REPORT OF CLAIMS AND MAKE FINAL DISTRIBUTION AS TO AMERICAN FOUNDERS FINANCIAL CORPORATION ONLY

TO THE HONORABLE JUDGE OF SAID COURT:

Prime Tempus, Inc. Special Deputy Receiver (SDR) of Vesta Fire Insurance Corporation (Vesta Fire), Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Services, Inc., and American Founders Financial Corporation (AFFC) files its *Application to Approve Final Report of Claims and to Make Final Distribution as to American Founders Financial Corporation Only* (the Application) and respectfully shows:

I. RELIEF REQUESTED

1. The SDR has completed all claims processing and asset collection activities in this proceeding as to AFFC. The SDR requests this Court to authorize it to make a final distribution of the receivership's assets and transfer any remaining records of AFFC to the Commissioner of

Insurance (Commissioner). After the distribution is completed, the SDR anticipates filing an application to seek approval of a final accounting, dissolution of the charter, and of a discharge of the Receiver and the SDR as to AFFC. This Application does not affect the other companies made the subject of these receivership proceedings.

II. AUTHORITY

2. The SDR is authorized to file this Application under Tex. Ins. Code Chapter 443. Under § 443.154(a), the SDR has all the Receiver's powers, except as limited by the Receiver. The subject matter of this Application has been referred to the Master appointed in this proceeding under the *Order of Reference to Master* entered on June 28, 2006.

III. BACKGROUND

3. AFFC is a wholly-owned subsidiary of Vesta Fire. AFFC functioned as an insurance holding company rather than as an insurer.

4. Vesta Fire was placed into receivership on June 28, 2006. On October 2, 2007, AFFC was placed into receivership in the case originally captioned as *State of Texas v. American Founders Financial Corporation*, Case Number D-1-GV-07002087, in the 419th District Court of Travis County, Texas. On December 20, 2007, this Court issued its *Order Granting Plaintiff's Motion to Consolidate*, which consolidated this case administratively, though it did not substantively consolidate the receivership estates.

5. On June 28, 2006, this Court signed its Order of Reference to Master appointing Tom Collins as Special Master (Master) in this proceeding.

6. Under Tex. Ins. Code § 443.151, the Commissioner was appointed Receiver on October 2, 2007. Cassie Brown is currently Receiver of AFFC, and all predecessors have been discharged as Receiver as a matter of law.

7. On October 2, 2007, Prime Tempus, Inc. was appointed Special Deputy Receiver of AFFC.

8. On November 2, 2009, the SDR filed its *Application for Approval of Special Deputy Receiver's First Report on Claims and Application to Make Partial Distribution (American Founders Financial Corp.) (First Interim Distribution Application)*. This *First Interim Distribution Application* sought approval of the classification and claims determination of the SDR as to the proof of claims filed with AFFC estate. Also, the application sought permission to make a 15% interim distribution to the approved Class 5 claims (AFFC did not underwrite insurance business, and had no Class 2 claims). On November 23, 2009, this Court entered its *Order Approving Special Deputy Receiver's First Report of Claims and Application to Make Partial Distribution (American Founders Financial Corp.)*.

9. No guaranty association coverage was involved in the AFFC receivership.

10. The SDR submits the Affidavit of Craig A. Koenig in support of this Application. The SDR requests that this Affidavit and its Exhibits be admitted into evidence.

IV. FINANCIAL STATEMENTS

11. The following final financial statements are attached to this Application:

- a. Statement of Net Assets and Net Liabilities for the Receivership, Exhibit A-1 to the Craig A. Koenig Affidavit, which reflects the financial condition of the receivership as of December 31, 2021;
- b. Sources and Uses of Cash, Exhibit A-2 to the Craig A. Koenig Affidavit;
- c. Closing Budget, Exhibit A-3 to the Craig A. Koenig Affidavit;
- d. Release Agreement with the United States, Exhibit A-4 to the Craig A. Koenig Affidavit;

- e. Assignment of AFFC Assets to the Commissioner, Exhibit A-5 to the Craig A. Koenig Affidavit; and
- f. Claims Distribution Schedule, Exhibit A-6 to the Affidavit of Craig A. Koenig.

V. ASSETS

12. The Sources and Uses of Cash Schedule is attached as Exhibit A-2 to the Craig A. Koenig Affidavit. The schedule sets forth all asset transactions since the date of receivership and reflects total assets of AFFC as of December 31, 2021. The SDR has determined that there are no contingent assets and no uncollectible assets. At closing, all unknown assets will be assigned to the Commissioner as described below in this Application.

VI. CLAIMS

13. This Court set a claim filing deadline of June 29, 2009 and a late claim filing deadline of September 27, 2009 for all claims against AFFC. The SDR received seven proofs of claim by the June 29, 2009 claims deadline. On May 24, 2013, the SDR signed a Release Agreement with the United States which releases super-priority claims to the extent described in Exhibit A-4 to the Affidavit of Craig A. Koenig. This Court previously issued its *Order Approving Special Deputy Receiver's First Report of Claims and Application to Make Partial Distribution (American Founders Financial Corp.)*. This order allowed the following Class Five claims:

Greenberg Traurig, LLP: \$32,285.78;

Vesta Insurance Group, Inc.: \$4,986,727; and

Baker Hostetler, LLP: \$448,751.65.

This order further approved a partial distribution of 15% to these allowed creditors.

14. On December 8, 2014, the SDR filed its *Application to Approve Settlement Agreement and Purchase of Claims (Vesta Insurance Group, Inc.)*. This Settlement Agreement and Purchase of Claims allowed a purchase by Vesta Fire of the Vesta Insurance Group, Inc. approved proof of claim against AFFC. This Court entered its *Order Approving Settlement Agreement and Purchase of Claims (Vesta Insurance Group, Inc.)* on December 22, 2014. This order and the closing of the purchase transaction had the effect of substituting Vesta Fire in place of Vesta Insurance Group, Inc. as the holder of a Class 5 proof of claim against AFFC.

15. The proofs of claims allowed and disallowed in connection with the *First Interim Distribution Application* remain the only approved proofs of claims, other than claims for administrative expenses. The claim of Vesta Insurance Group has been assigned to Vesta Fire. The SDR requests approval of this final report of claims.

16. AFFC has total assets as of December 31, 2021 of \$682,657. Its remaining liabilities are \$4,652,128. The SDR's closing budget is \$31,224. The SDR proposes to make a final distribution of \$651,433, which will increase the distribution on each of the Class 5 approved proofs of claims from 15% to 26.914%. The Claims Distribution Schedule is Attached as Exhibit A-6 to the Affidavit of Craig A. Koenig and incorporated into this application by reference.

17. It is possible that there may be additional funds in the receivership account after the distribution ("Residual Funds"). Such funds may result from interest on the receivership account, excess reserves for closing expenses, or the collection of assets after the distribution has commenced. Such funds will be handled as described below.

18. If it is economically feasible to distribute any Residual Funds, the SDR will make a supplemental distribution from any such residual funds, after reserving for distribution expenses. Tex. Ins. Code Section 443.253(h) provides for the disallowance of claims for de minimis amounts,

as determined by this Court. The SDR proposes to establish a distribution threshold of \$250.00 for any supplemental distribution, which is reasonable and necessary for cost-effective administration. The SDR requests this Court find that any distribution below the proposed threshold be considered de minimis and authorize the SDR to withhold the amount of any such distribution.

19. Tex. Ins. Code § 443.352 provides this Court may issue an order to transfer funds remaining after the final distribution that cannot be economically distributed. If there are any funds remaining after the final distribution and it is not economically feasible to distribute such funds as described above, the SDR requests that such funds be transferred to the Commissioner for deposit in an account established under Tex. Ins. Code § 443.304. Such funds will be available to pay any expenses exceeding the expense reserve or expenses incurred for activities after the closing of the receivership, such as responding to inquiries and handling unclaimed funds. The SDR requests this Court authorize it to transfer any such Residual Funds remaining after all distributions are made.

VII. UNCLAIMED FUNDS

20. The SDR will maintain the receivership's distribution account for the earlier of forty-five (45) days after the final distribution or until all distributions have been received by wire transfer or checks cashed, which will provide a reasonable amount of time for claimants to receive their funds and/or deposit their checks. The SDR will deliver any funds which are unclaimed as of the closing of the account to the Commissioner as required by Tex. Ins. Code § 443.304(a) to be placed in a segregated unclaimed funds account.

21. In the unlikely event that a Distribution Notice is mailed to an address and returned as undeliverable without a forwarding address, the SDR requests that this Court order that any

distribution due to a claimant whose notice is returned as non-deliverable should be treated as unclaimed without the need for the estate to incur the expense of mailing an undeliverable check. The SDR proposes that all distributions to such claimants be withheld from the mailing of the final distribution and be delivered to the Commissioner upon closing of the account as described in this Application. As noted above, the SDR does not expect any unclaimed distributions given the identity of the claimants.

VIII. ASSIGNMENTS AND TRANSFERS

22. Tex. Ins. Code § 443.154 authorizes the SDR to transfer, abandon, or otherwise dispose of or deal with any property of the insurer upon terms and conditions that are fair and reasonable. Tex. Ins. Code § 443.352 of the Code permits the Court to enter appropriate orders in connection with an application to terminate a receivership proceeding. Tex. Ins. Code § 443.008 authorizes the Court to issue “necessary and appropriate orders to carry out the provisions” of Tex. Ins. Code Chapter 443. The SDR is not aware of any non-cash assets. In case any AFFC assets are discovered after the termination of this proceeding, the SDR proposes to transfer to the Commissioner at the time of receivership closing any such assets including, but not limited to, assets and rights not known at the time of the termination of this proceeding. A copy of the proposed Assignment of AFFC Assets to the Commissioner is attached as Exhibit A-5 to the Affidavit of Craig A. Koenig and is incorporated herein by reference.

23. The SDR requests that the Court address the handling of funds in the event of recoveries by the Commissioner of additional AFFC assets after the closing of AFFC. The Court is requested to order under Tex. Ins. Code §§ 443.008 and 443.352 that should the Commissioner after closing receive assets sufficient to permit a further distribution to approved claimants after consideration of the cost of distribution, the Commissioner may make such a distribution, after

deducting from the funds the reasonable costs of administration and expense as to each such distribution, without the need for a further order of this Court. The Commissioner may also in the alternative seek to re-open the AFFC estate for the purpose of making distributions under Tex. Ins. Code § 443.353. If any amount so collected cannot be distributed economically, the SDR requests that any such funds be deposited by the Commissioner in accordance with Tex. Ins. Code § 443.304.

IX. RECORDS

24. The SDR requests authority under Tex. Ins. Code §443.354 to destroy certain records of AFFC which are no longer required for the administration of this receivership and that will not be needed after the termination of this proceeding. All such records are copies of materials being provided to the Commissioner, as described below. The SDR requests authority to dispose of such records in accordance with Tex. Ins. Code §443.354(a).

25. The Company's remaining records will be delivered to the Commissioner under Tex. Ins. Code §443.354 and maintained in compliance with the Receiver's records retention policy for receivership records. The SDR requests that the Court authorize the Commissioner to retain or dispose of these records at her discretion.

X. EXPENSES

26. The payment of expenses is authorized by Tex. Ins. Code §443.015. In connection with the closing, the SDR prepared the Closing Budget attached as Exhibit A-3 to the Craig A. Koenig Affidavit, which supports the projected closing budget of \$31,224 under Tex. Ins. Code §443.015. The SDR will submit a detailed final statement of the actual expenses incurred when the SDR files the verified application to terminate the estate. If the actual expenses differ from the amount reserved, the excess funds or the shortfall (as applicable) will be handled

as described in this Application. The SDR will file a final accounting including the final distribution schedule and a final statement of expenses that reflects the actual expenses incurred.

XI. OFFER OF PROOF

27. The attached Affidavit of Craig A. Koenig supports this Application. The Court is requested to accept this affidavit and its exhibits into evidence.

XII. REQUEST FOR RELIEF

WHEREFORE, premises considered, the SDR requests that this Court enter an order:

- a) Granting the Application in all respects;
- b) Accepting the Final Report of Claims;
- c) Authorizing the SDR to make the final distribution, and to incur the expenses reasonably necessary to that distribution;
- d) Accepting the Affidavit of Craig A. Koenig and its exhibits into evidence;
- e) Approving the Closing Budget; and
- f) Granting the Receiver and the SDR other relief to which they may be entitled.

Respectfully submitted,

WISENER, NUNNALLY ROTH & HIGGINS, LLP

/s/ Robert H. Nunnally, Jr.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served on all interested parties in accordance with the Texas Rules of Civil Procedure and TEX. INS. CODE ANN. §443.007(d) this 18th day of March, 2022.

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Email: jcannon@opciga.org

Mr. David C. Johnson, Administrator
Oregon Insurance Guaranty Association
10700 Southwest Beaverton Hwy, Suite 426
Beaverton, OR 97005
Email: djohnson.oiga@frontier.com

Mr. Raymond Bauso, VP of Claims
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Ms. Sue Pease, Claims Manager
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Pennsylvania Ins Dept Bureau of Special Funds
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Email: spease@pa.gov

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Pennsylvania Life & Health Ins Guaranty Assoc
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Mr. Rafael G. Rocher, Exec. Director
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Mr. J. Smith Harrison, Exec. Director/Secretary
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Email: smitty@scwind.com

Mr. Edwin E. Evans, Managing Secretary
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Ms. Sara Lang
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Ms. Leah Cooper, Administrator
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Mr. Robert Carver
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/s/ Michael Roth

Michael Roth
Email: michael@wnrlaw.com

AFFIDAVIT OF CRAIG A. KOENIG

STATE OF TEXAS §
 §
COUNTY OF HAYS §

On this day, Craig A. Koenig, being duly identified to me, appeared before me, the undersigned Notary Public, and, after first being duly sworn by me, stated that:

1. I am the President of Prime Tempus, Inc., Special Deputy Receiver of American Founders Financial Corporation (AFFC). I am duly authorized to make this verification and make this verification on behalf of Prime Tempus, Inc., Special Deputy Receiver of AFFC. I submit this Affidavit in support of the *Application to Approve Final Report of Claims and to Make Final Distribution as to American Founders Financial Corporation Only (Application)*.

2. I attach to my Affidavit the following Exhibits:
- a. Statement of Net Assets and Net Liabilities for the Receivership, Exhibit A-1 to this Affidavit;
 - b. Sources and Uses of Cash, Exhibit A-2 to this Affidavit;
 - c. Closing Budget, Exhibit A-3 to this Affidavit;
 - d. Release Agreement with the United States, which is Exhibit A-4 to this Affidavit;
 - e. Assignment of AFFC Assets to the Commissioner, Exhibit A-5 to this Affidavit;
and
 - f. Claims Distribution Schedule, Exhibit A-6 to this Affidavit.

These exhibits were prepared at my direction by the Special Deputy Receiver staff with the support of the receivership accounting subcontractor and counsel for the Special Deputy Receiver. I certify that Exhibits A-1 through A-6 constitute records of the

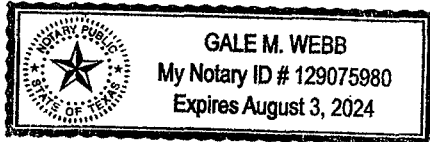
receivership of American Founders Financial Corporation, and are true and correct copies of records maintained by the Special Deputy Receiver on behalf of the Receiver's office.

3. For the reasons addressed in the Application, I recommend and request that the Court issue this order.

Original signed by

Craig A. Koenig, President,
on behalf of Prime Tempus, Inc.

SUBSCRIBED AND SWORN TO before me on the 18th day of MARCH, 2022.



Original signed by

NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

Exhibit A-1

**American Founders Financial Corp.
Statement of Net Assets**

**For the Period Ending
12/31/21**

Line		12/31/21
Cash		
1	Cash	
	Cash - Unrestricted	682,657
	APF Funds (Loan proceeds)	
Investments		
2	Short-Term Investments	
3	Bonds	
4	Stocks - Preferred & Common	
5	Investments in Subsidiaries, Controlled or Affiliated Entities	
6	Mortgage Loans	
7	Real Estate	
8	Policy Loans	
9	Other Invested Assets	
Restricted Assets		
10	Statutory Deposits	
11	Funds held by or deposited with Reinsured Companies	
12	Restricted - Other	
Reinsurance Receivable		
13	Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	
14	Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)	
15	Reinsurance Recoverables on UEP & Contingent Commissions	
Other Receivables		
16	Salvage & Subrogation Recoveries	
17	Premiums Due from Agents & Policyholders	
18	Receivable from Parents, Subsidiaries & Affiliates	
19	Receivable from Guaranty Associations - Early Access Payments	
20	Other Receivables	
Other Assets		
21	FF&E	
22	Other Assets	
	Total Assets	682,657

American Founders Financial Corp.
Statement of Net Liabilities

For Period Ending
12/31/21

Line		12/31/21
1	Secured Claims	
2	APF Loan	
3	Special Deposit Claims	
Administrative Claims - Class 1		
4	Administrative Claims - State/Receiver	
	Special Deputy Receiver, Subcontractors Fees & Expenses	4,279
	Liquidation Oversight	250
	Special Master's Fees	
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	
	LAE Reserves	
Policy Claims - Class 2		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	
	Loss Claims Reserves	
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	
9	LAE - Other	
10	Unearned & Advance Premium Claims - GA	
11	Unearned & Advance Premium Claims - Other	
Other Liabilities		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	4,647,599
15	Class 5 Reinsurance Related Unsecured Claims	
16	Class 6 Claims	
17	Class 7 Claims	
18	Class 8 Claims	
19	Class 9 Claims	
20	Class 10 Interest	
21	Class 11 Claims	
22	Other Liabilities	
	Total Liabilities	4,652,128
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(3,969,471)
	Total Liabilities & Equity	682,657

Exhibit A-2

R-535

American Founders Financial Corp.
Sources & Uses of Cash
Inception to Date

Beginning Cash	3,535,028
Passive Income	
Investment Interest/Dividends	59,235
Cash Deposit Interest	50,632
Total Cash Receipts	<u>109,867</u>
Disbursements	
SDR Fees & Expenses	128,873
Subcontractor Legal Fees & Expenses	65,570
Subcontractor Other Fees & Expenses	13,482
First Report of Claims Distributions	820,165
Sagicorp Post-Closing Disbursement approved by the Court on April 10, 2008	1,500,000
Smith v. AFFC release of funds approved by the Court on December 21, 2007	375,000
Other Disbursements	<u>59,148</u>
Ending Cash	<u><u>682,657</u></u>

Exhibit A-3

R-535 American Founders Financial Corporation (AFFC)					
Estimated Closing Expenses					
	JAN	FEB	MAR	APR	TOTAL
Estimated SDR Fees					
Administration	933	560	560	560	2,613
Accounting	1,436	285	285	285	2,291
Claims	234	620	795	970	2,619
Expenses	153	725	100	100	1,078
	2,756	2,190	1,740	1,915	8,601
Estimated General Admin Expenses					
Bank Charges, Wiring Fees & Treasury Account	-	50	50	50	150
Records Storage and Disposal	-	250	-	-	250
Records Shredding	-	1,185	-	-	1,185
IT/Computer Expense	-	50	50	400	500
Supplies-boxes/labels/folders/forms	-	-	-	-	-
Copies, Faxes, Postage/Courier	-	50	50	50	150
Liquidation Oversight Allocated Expenses	250	250	250	250	1,000
	250	1,835	400	750	3,235
					-
Estimated Subcontractor Fees & Expenses					
Accounting Fees	488	1,500	1,500	1,500	4,988
Accounting Expenses	-	-	-	-	-
Legal Fees	1,033	4,300	4,300	4,300	13,933
Legal Expenses	3	24	20	20	67
	1,524	5,824	5,820	5,820	18,988
					-
Estimated Other Fees & Expenses					
Records Storage by Commissioner	-	-	-	-	-
Class 1 Administrative Expense - Other	-	200	-	200	400
	-	200	-	200	400
					-
Total Estimated Expenses	4,530	10,049	7,960	8,685	31,224

Exhibit A-4

RELEASE AGREEMENT

In order to permit a distribution of the assets of the estate of American Founders Financial Corporation (“American Founders”), pursuant to the orders of the 419th Judicial District Court of Travis County, Texas (“Court”), this Release Agreement is being executed by the United States and the Special Deputy Receiver for American Founders (“Special Deputy Receiver”).

I. PARTIES

The parties to this Release Agreement are the United States and Prime Tempus, Inc., as Special Deputy Receiver for American Founders (collectively, the “Parties”).

II. RECITALS

1. The Parties do not intend this Release Agreement to release any possible claims the United States may have or may acquire against anyone for tax, fraud (including, but not limited to, securities and pension benefit fraud), criminal liabilities, or reimbursement liabilities and penalties arising under 42 U.S.C. § 1395y(b).

2. Except for the express terms of this Release Agreement, the Parties do not intend to create, enhance, diminish, defeat or otherwise affect such claims, if any, as the United States may have against the Special Deputy Receiver or the American Founders estate.

3. The United States enters into this Release Agreement in reliance upon the representations of the Special Deputy Receiver contained in his affidavit dated May 16, 2012, attached as Exhibit A to this Release Agreement (“Affidavit”).

III. AGREEMENT

1. Except only for possible federal tax, fraud (including, but not limited to, securities and pension benefit fraud), criminal liabilities, or reimbursement liabilities and penalties arising under 42 U.S.C. § 1395y(b), the United States hereby releases and discharges the Special Deputy Receiver and the estate of American Founders from any and all liability under 31 U.S.C. § 3713(b) in connection with the American Founders receivership.

2. Under the terms of this Release Agreement, the United States or its duly authorized representative shall have the right, prior to the destruction of American Founders' records in accordance with the orders of the Court, during normal business hours, on a date and at a location agreed upon by the Parties, to inspect, and if it wishes, to copy at its own expense, such documents, books, and records of the estate, and of the Special Deputy Receiver, as shall be reasonably necessary to determine the existence and amount of claims the United States may have against the American Founders estate, or to determine the Special Deputy Receiver's compliance with the terms of this Release Agreement. No documents, books, or records of the estate or Special Deputy Receiver may be destroyed unless notice is given to the United States of any motion filed with the Court requesting approval of the destruction. If Special Deputy Receiver does not request approval from the Court, he must obtain prior written authorization from the United States before destruction of any documents, books, or records of the estate or Special Deputy Receiver.

3. Except for the express undertakings of the Special Deputy Receiver and the United States in this Release Agreement, nothing in this Release Agreement shall be construed

(a) to establish or perfect any claims, substantive rights, or procedural rights of the United States;

(b) to limit, restrict, diminish, or defeat any claims, substantive rights, or procedural rights of the United States;

(c) to establish or perfect any objections or defenses, substantive rights, or procedural rights of the Special Deputy Receiver; or

(d) to limit, restrict, diminish, or defeat any defenses, substantive rights, or procedural rights of the Special Deputy Receiver.

4. The Parties agree that this Release Agreement shall not be effective unless and until it is approved by the Court, if approval is required, and the time for appeals of any such approval has expired. The Parties further agree to cooperate with each other in seeking prompt approval of this Release Agreement from the Court, including but not limited to making the necessary witnesses available for testimony considered necessary or appropriate to provide the Court with an adequate record upon which to approve this Release Agreement.

Dated: 9/28/12

SC CW
By: Sharon C. Williams
Trial Attorney
Civil Division
Department of Justice
Attorney for the United States

Dated: 5/24/13

SK
By: Craig A. Koenig
President, Prime Tempus, Inc.
Special Deputy Receiver
American Founders Financial Corporation

Consolidating American Founders into the Vesta Receivership. These Exhibits are hereby incorporated by reference into this Affidavit

5. American Founders Employer (or Federal) Identification Number is 86-0952163.

6. Prior to liquidation, American Founders principal operations were located at 3760 River Run Drive, Birmingham, AL 35243.

7. There were no other names used by American Founders.

8. American Founders did not issue any policies of insurance. It was a licensed holding company for Laurel Life Insurance Company which owned American Founders Life Insurance Corporation. These life insurance companies were sold under a Stock Purchase Agreement dated June 1, 2005.

9. American Founders was not a licensed insurer in any state. It was a licensed holding company in Arizona.

10. American Founders did not write policies or bonds for the benefit of the federal government or any of its agencies.

11. There were no environmental claims against American Founders.

12. There are no open ancillary receiverships for American Founders.

13. Attached hereto as Exhibit C is a list of the proofs of claims filed against the receivership estate which includes the name and address of the claimant and the amount of the claim.

14. A copy of the most recent Special Deputy Receiver's financial statement is attached as Exhibit D. American Founders was part of a Consolidated Group for tax purposes. Nearly all of the consolidated companies are in receivership or bankruptcy, including the common parent, Vesta Insurance Group, Inc. Attached as Exhibit E are the Forms 1120 for tax

years 2010 and 2011. These exhibits are hereby incorporated by reference into this Affidavit.

15. American Founders did not issue any policies that included coverage for tort liability.

16. American Founders did not issue any policies that included coverage for medical expenses.

17. American Founders did not write any insurance policy or issue any health care plan for the benefit of the federal government or any of its agencies, and no claims have been filed by the United States or any of its agencies in this case.

18. By this Affidavit, the American Founders estate requests a release of liability by the United States of America pursuant to 31 U.S.C. § 3713 so that the Special Deputy Receiver may wind up the affairs of the estate and make final distribution of its assets.

S. A. Koenig

CRAIG A. KOENIG, President of
Prime TEMPUS, Inc., Special Deputy
Receiver of American Founders Financial
Corp.

SWORN TO AND SUBSCRIBED BEFORE ME by Craig A. Koenig, President of Prime
TEMPUS, Inc., on this the 16 day of May, 2012.

M. P. Blevins

Notary Public, State of Texas

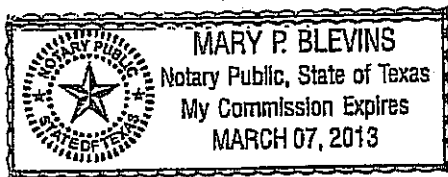


Exhibit A-5

STATE OF TEXAS	§	IN THE DISTRICT COURT OF
<i>Plaintiff,</i>	§	
	§	
v.	§	
	§	TRAVIS COUNTY, TEXAS
VESTA FIRE INSURANCE CORPORATION,	§	
VESTA INSURANCE CORPORATION,	§	
SHELBY CASUALTY INSURANCE	§	
COMPANY, THE SHELBY	§	
INSURANCE COMPANY,	§	
TEXAS SELECT LLOYDS	§	
INSURANCE COMPANY, SELECT	§	
INSURANCE SERVICES, INC., and	§	
AMERICAN FOUNDERS FINANCIAL	§	
CORPORATION	§	
<i>Defendants</i>	§	126th JUDICIAL DISTRICT

ASSIGNMENT OF AMERICAN FOUNDERS FINANCIAL CORPORATION ASSETS TO THE COMMISSIONER

1. Prime Tempus, Inc. is the Special Deputy Receiver of American Founders Financial Corporation (AFFC) in the above-captioned case.
2. The Special Deputy Receiver is authorized to assign all known and unknown assets to the Commissioner of Insurance (Commissioner) at the closing of the AFFC receivership estate, under Tex. Ins. Code §443.352.
3. This assignment is intended to deal with any unknown, contingent, undistributed or unrecovered assets of AFFC.
4. The Special Deputy Receiver, on behalf of the Commissioner as Receiver of AFFC, assigns all right, title and interest to any unknown, contingent, undistributed and unrecovered assets of AFFC to the Commissioner or the Commissioner's successors. This assignment is intended to include, but is not limited to, property, causes of action, judgments, claims, unclaimed property deposits, tort claims, contract claims, statutory claims, contract rights, rights to recovery or to distribution, unknown claims, unrecovered claims and as-yet-undiscovered claims and assets.
5. This Assignment is intended to grant to the Commissioner the authority to demand and receive payments, to collect assets, to pursue causes of action, to assert contract and distribution rights, to collect contingent, liquidated and unliquidated assets, and to include all assets, past, present and future.

Should the Commissioner after closing receive assets sufficient to permit a further distribution to approved claimants after consideration of the cost of distribution, the Commissioner may make such a distribution without further order of this Court, after deducting from the funds the reasonable costs of administration and expense as to each such distribution. Tex. Ins. Code §§ 443.008 and 443.252. The Commissioner may also in the alternative seek to re-open the AFFC estate for the purpose of making distributions under Tex. Ins. Code § 443.353. If any amount so collected cannot be distributed economically, then any such funds may be deposited in accordance with Tex. Ins. Code § 443.304(c).

6. This document is intended to be a final and integrated expression of the rights assigned in this Assignment.
7. The Commissioner will have the authority to execute all documents that the Commissioner deems necessary or advisable to implement or effectuate this Assignment.

So assigned on this _____ day of _____, 2022.

Prime Tempus, Inc., as Special Deputy Receiver of American Founders Financial Corporation

Craig A. Koenig, President and not individually

Exhibit A-6

**American Founders Financial Corporation
Claims Distribution Schedule**

Proof of Claim Number	Claimant Name	Amount Allowed	Previous 15% Distributions	Projected 11.914% Distribution	Total Distributions
5350004	GREENBERG TRAURIG, LLP	\$32,285.78	\$4,842.87	\$3,846.53	\$8,689.40
5350005	VESTA FIRE INS. CORP. AS ASSIGNEE	\$4,986,727.00	\$748,009.05	\$594,118.65	\$1,342,127.70
5350006	BAKER HOSTETLER, LLP	\$448,751.65	\$67,312.75	\$53,464.27	\$120,777.02
		<u>\$5,467,764.43</u>	<u>\$820,164.67</u>	<u>\$651,429.45</u>	<u>\$1,471,594.12</u>