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1ST CIRCUIT COURT
STATE OF HAWAII
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In his capacity as Insurance Commissioner
of the State of Hawaii

IN THE CIRCUIT COURT OF THE FIRST CIRCUIT

STATE OF HAWAII

J.P. SCHMIDT, in his capacity as Insurance Commissioner of the State of Hawaii,	S.P. No. 08-1-0188 (GJK) (Special Proceeding)
Petitioner,	ORDER OF LIQUIDATION
vs.	
AG AIRGROUP INSURANCE, INC.	
Respondent.	
	HEARING Date: May 29, 2008 Time: 9:00 a.m. Judge: Hon. Glenn J. Kim

I do hereby certify that this is a full, true, and correct copy of the original on file in this office.
Clerk Circuit Court, First Circuit

This matter came on for hearing on May 29, 2008 before the Honorable Glenn J. Kim. In accordance with the provisions of Hawaii Revised Statutes (Haw. Rev. Stat.) §§ 431:15-305(a) and 15-306, Petitioner J.P. SCHMIDT, the Insurance Commissioner for the State of Hawaii, ("Commissioner", "Petitioner", or "Rehabilitator") in his capacity as the Insurance Commissioner of the State of Hawaii petitioned this Court for the entry of an Order of Liquidation of Respondent AG AIRGROUP INSURANCE, INC. ("Respondent AG Airgroup" or "AG Airgroup"). Clifford K. Higa and Joseph A. Stewart appeared on behalf of Petitioner. Respondent AG Airgroup, as well as the individual directors of Respondent AG Airgroup, having previously filed a statement of no opposition to the Petition for liquidation, did not appear at the hearing. In accordance with the pleadings and papers filed herein, the Court finds as follows:

I. **Findings**

1. Jurisdiction and venue of these proceedings is properly in the Circuit Court of the First Judicial Circuit under the provisions of Haw. Rev. Stat., § 431:15-306.

2. The Court finds that Respondent AG Airgroup is insolvent as that term is defined under the provisions of Haw. Rev. Stat. § 431:15-103(a).

3. The Court finds that Respondent AG Airgroup is in such condition that the further transaction of business would be hazardous financially, to its policyholders, creditors or the public.

4. Based on the record, the Court finds that rehabilitation efforts would be futile and would substantially increase the risk of loss to Respondent AG Airgroup's creditors, its policyholders or the public and would serve no useful purpose.

5. The Court finds that the grounds for the issuance of an Order of Liquidation under the provisions of Haw. Rev. Stat. §§ 431:15-305(a) and 15-306 have been met and that an

Order appointing the Commissioner as the Liquidator and directing the Commissioner to forthwith take possession of the assets of Respondent AG Airgroup and to administer them in accordance with the provisions of Haw. Rev. Stat. § 431:15-307 shall be entered.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

1. **Appointment and Order of Liquidation**. The Commissioner is hereby appointed Liquidator of Respondent AG Airgroup. Until further order of the Court, the Liquidator, including his authorized agents and representatives, is hereby authorized and directed to take possession and control of all of the assets, real and personal property, books, accounts, documents, and other records (collectively, "Property") of Respondent AG Airgroup and of the premises occupied by AG Airgroup or its agents and affiliates for the transaction of business.

2. This Order of Liquidation applies to, but is not limited, to any and all of Respondent AG Airgroup's Property held in various financial institutions.

2. **Recording of Order and Title to Property**. In accordance with the provisions of Haw. Rev. Stat. § 431:15-307(a), the filing or recording of this order with the Clerk of the Circuit Court of the First Judicial Circuit or at the Bureau of Conveyances shall impart the same notice as evidence of title. The Order to liquidate Respondent AG Airgroup shall by operation of law vest title to all assets of Respondent AG Airgroup in the Liquidator. Title to all property, contracts, and rights of action and all of the books and records of Respondent AG Airgroup, wherever located, shall vest by operation of law in the Commissioner, as Liquidator, as of the date of the entry of this Order of Liquidation.

3. **Permanent Injunction and Automatic Stay**. In accordance with the provisions of Haw. Rev. Stat. § 431:15-313, no action at law or equity shall be brought against the insurer

or liquidator, whether in this State or elsewhere, nor shall any such existing actions be maintained or further presented after issuance of such order. The courts of this State shall give full faith and credit to injunctions against the liquidator or the company or the continuation of existing actions against the liquidator or the company, when such injunctions are included in an order to liquidate an insurer issued pursuant to corresponding provisions in other states. Whenever in the liquidator's judgment, protection of the estate of the insurer necessitates intervention in an action against the insurer that is pending outside this State, the liquidator may intervene in the action. The liquidator may defend any action in which the liquidator intervenes under this section at the expense of the estate of the insurer.

In addition, the liquidator may, upon or after an order for liquidation, within two years or such time in addition to two years as applicable law may permit, institute an action or proceeding on behalf of the estate of the insurer upon any cause of action against which the period of limitation fixed by applicable law has not expired at the time of the filing of the petition upon which such order is entered. Where, by any agreement, a period of limitation is fixed for instituting a suit or proceeding upon any claim, or for filing any claim, proof of claim, proof of loss, demand, notice, or the like, or where in any proceeding, judicial or otherwise, a period of limitation is fixed, either in the proceeding or by applicable law, for taking any action, filing any claim or pleading, or doing any act, and where in any such case the period had not expired at the date of the filing of the petition, the liquidator, may, for the benefit of the estate, take any such action or do any such act, required of or permitted to the insurer, within a period of 180 days subsequent to the entry of an order for liquidation, or within such further period as is shown to the satisfaction of the court not to be unfairly prejudicial to the other party.

4. **Prohibited Acts**. Respondent AG Airgroup shall be prohibited from any of the following activities by or on behalf of AG Airgroup without the prior written approval of the Liquidator or the Liquidator's designee:

a. Dispose of, convey or encumber any of its assets or its business in force;
b. Withdraw funds from any of its bank accounts;
c. Lend any of its funds;
d. Invest any of its funds;
e. Transfer any of its property;
f. Incur any debt, obligation or liability;
g. Merge or consolidate with another company; or
h. Enter into any new reinsurance contract or treaty;
i. Making of any sale or deed for nonpayment of taxes or assessments that would lessen the value of the assets;
j. Withhold from the Liquidator books, accounts, documents, or other records relating to the business of Respondent AG Airgroup;
k. Threaten or contemplate any action that might lessen the value of Respondent AG Airgroup's assets or prejudice the rights of policyholders or creditors the administration of any proceeding under Haw. Rev. Stat. Chapter 431, Article 15.

5. **Immediate effect**. This Order of Liquidation shall be effective immediately.

6. **Powers of Liquidator**. The Commissioner, in his capacity as Liquidator, has all the powers set forth Haw. Rev. Stat. § 431:15-310.

7. **Cancellation of Policies.** The Liquidator is hereby authorized to cancel all policies insured by Respondent AG Airgroup pursuant to Haw. Rev. Stat. § 431:15-308, as well as the authority to terminate such policies pursuant to the terms of such policies for non-payment of premiums. The Court also orders and prohibits Respondent AG Airgroup from issuing any new policies of insurance unless authorized pursuant to the request of the Commissioner and a subsequent Court order.

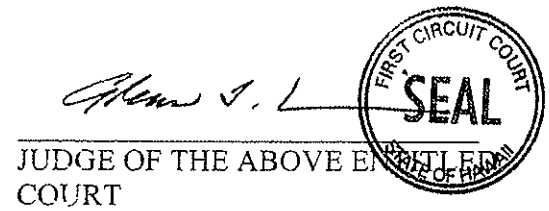
8. **Continuation of Payments.** The Commissioner shall have the approval to continue to fund and pay existing worker compensation claims without further court approval. Included as part of this authority is the ability to continue to retain Specialty Risk Services, LLC to

process such claims, including the adjusting and payment of such claims.

9. **Reports to the Court.** Pursuant to Haw. Rev. Stat. § 431:15-306, an accounting of Respondent AG Airgroup's assets and liabilities shall be submitted to the Court within six months of the entry of this Order. The Liquidator agrees to file further accounting reports at intervals not exceeding six months thereafter. Financial reports filed with the Court may be filed under seal and kept confidential until the Court rules otherwise or the Commissioner, in his capacity as Liquidator, believes that the reports should be made public.

10. This Order constitutes a final order of liquidation for purposes of Haw. Rev. Stat. Chapter 431, Articles 15 and 16.

Dated: Honolulu, Hawaii, May 29, 2008.



JUDGE OF THE ABOVE ENTITLED COURT