1ST CIRCUIT COURT
STATE OF HAWAII
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B. TERAOKA
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in his capacity as Liquidator of
PrimeGuard Insurance Company, Inc.

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. 05-1-0443 VSM (Special Proceeding)
Petitioner,	)	
vs.	)	SUPPLEMENTAL ORDER OF LIQUIDATION
PRIMEGUARD INSURANCE COMPANY, INC., A RISK RETENTION GROUP., FIRST ASSURED WARRANTY CORPORATION, 1SOURCEAUTOWARRANTY.COM, INC. AND WARRANTEE WISE, INC.	)	Hearing Date: July 7, 2008 Time: 11:00 a.m. Judge: Victoria S. Marks
Respondents.	)	

SUPPLEMENTAL ORDER OF LIQUIDATION

Petitioner J.P. Schmidt's, in his capacity as Liquidator of PrimeGuard Insurance Company, Inc. ("Liquidator") MOTION FOR LEAVE TO ADD FIRST ASSURED WARRANTY CORPORATION, 1SOURCEAUTOWARRANTY.COM, INC. AND WARRANTEE WISE, INC. AS RESPONDENTS AND PLACING THEM UNDER A SUPPLEMENTAL ORDER OF LIQUIDATION filed herein on May 22, 2008, ("Motion for

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

Leave") came on for hearing before the Honorable Victoria S. Marks, on July 7, 2008, at 11:00 a.m. Jason M. Minami, Esq. appeared on behalf of the Petitioner. No opposition was filed and no appearance was made on behalf of Respondents.

Based upon the Liquidator's showing, through the Motion for Leave, including the declaration and exhibits attached thereto,

THE COURT HEREBY SPECIFICALLY FINDS AND ORDERS, JUDGES AND DECREES as follows:

1. An Order of Liquidation was entered by this Court with respect to PrimeGuard Insurance Company on December 19, 2005. That Order of Liquidation remains in full force and effect and this Supplemental Order of Liquidation serves to supplement and work in conjunction with the existing Order of Liquidation.

2. Under the December 19, 2007 Settlement Agreement and Mutual Releases approved by this Court in an Order dated March 18, 2008 and approved by the United States Bankruptcy Court for the District of Colorado in Case No. 06-13669 ("Bankruptcy Court") on May 15, 2008, this Court has sole and exclusive jurisdiction over First Assured Warranty Corporation ("First Assured"), 1SourceAuotWarranty.com, Inc. ("1Source") and Warrantee Wise, Inc. ("Warrantee Wise") (collectively the "Companies") and the Companies shall be liquidated by the Liquidator under the Hawaii Insurers Supervision, Rehabilitation and Liquidation Act, Haw. Rev. Stat. § 431:15-101 *et seq.* (the "Act").

3. Regardless of the date on which this Order is entered, this Supplemental Liquidation Order shall be effectively commencing immediately on May 30, 2008 (the "Dismissal Date"), which shall be the same date on which the Bankruptcy Court issues its order dismissing the First Assured Bankruptcy, Case No. 06-13669.

4. First Assured, Warrantee Wise and 1Source shall each be added as respondents in this action and the case caption shall be amended to reflect that modification.

5. The Companies' business is ordered liquidated. The Insurance Commissioner of the State of Hawaii ("Commissioner"), and the Commissioner's successors in office, is appointed as Liquidator of the Companies. The Liquidator shall forthwith take possession of the assets of the Companies and administer them under the general supervision of this Court. The Liquidator shall be vested by operation of law with title to all of the property, contracts, and rights of action and all of the books and records of the Companies, wherever located, as of the entry of the Order of Liquidation. The filing or recording of this Liquidation Order with the clerk of the Circuit Court of the First Judicial Circuit and at the Bureau of Conveyances shall impart the same notice as evidence of title.

6. Upon issuance of this Supplemental Order of Liquidation and effective as of the Dismissal Date, the rights and liabilities of the Companies and of their creditors, policyholders, shareholders, members and all other persons interested in its estate are fixed, except as otherwise provided in Haw. Rev. Stat. §§ 431:15-308 and 431:15-327.

7. In accordance with Haw. Rev. Stat. § 431:15-307(e), the Liquidator shall provide accounting to the court on a quarterly basis.

8. The Liquidator has all powers and authority as set forth in the Liquidation Act, including but not limited to, Haw. Rev. Stat. § 431:15-310, which provides that the Liquidator shall have the power to:

a. Appoint a special deputy to act for the Liquidator under the Act, and to determine the special deputy's reasonable compensation. The special deputy shall have all powers of the Liquidator granted by Haw. Rev. Stat. § 451:15-310. The special deputy shall serve at the pleasure of the Liquidator.

b. Employ employees and agents, legal counsel, actuaries, accountants, appraisers,

consultants, and such other personnel as the Liquidator deems necessary to assist in the Liquidation.

c. Fix the reasonable compensation of employees and agents, legal counsel, actuaries, accountants, appraisers and consultants, with the approval of the court.

d. Pay reasonable compensation to persons appointed, and defray from the funds or assets of the Companies all expenses of taking possession of, conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and property of the insurer. In the event that the property of the Companies does not contain sufficient cash or liquid assets to defray the costs incurred, the Commissioner may advance the costs so incurred from the assets of PrimeGuard Insurance Company and, if those are insufficient, then out of any appropriation for the maintenance of the insurance division. Any amounts so advanced for expenses of administration shall be repaid out of the first available moneys of the Companies.

e. Hold hearings, subpoena witnesses to compel their attendance, administer oaths, examine any person under oath, and compel any party to subscribe to their testimony after it has been correctly reduced to writing, and in connection therewith require the production of any books, papers, records or other documents that the Liquidator deems relevant to the inquiry.

f. Collect all debts and moneys due and claims belonging to the Companies, wherever located, and for this purpose to: (i) institute timely action in other jurisdictions, to forestall garnishment and attachment proceedings against such debts; (ii) do such other acts as are necessary or expedient to collect, conserve or protect its assets or property, including the power to sell, compound, compromise or assign debts for purposes of collection upon such terms and conditions as the Liquidator deems best; and (iii) pursue any creditor's remedies available to enforce its claims.

g. Conduct public and private sales of the property of the Companies.

h. Use assets of the estate of the Companies to transfer policy obligations to one or more solvent companies, if the transfer can be arranged without prejudice to applicable priorities under Haw. Rev. Stat. § 431:15-332.

i. Acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of or deal with, any property of the Companies at its market value or upon such terms and conditions as are fair and reasonable. The Liquidator shall also have power to execute, acknowledge, and deliver any and all deeds, assignments, releases and other instruments necessary or proper to effectuate any sale of property or other transaction in connection with the liquidation.

j. Borrow money on the security of the Companies' assets, or without security, and to execute and deliver all documents necessary to that transaction for the purpose of facilitating the liquidation.

k. Enter into such contracts as are necessary to carry out the order to liquidate, and affirm or disavow any contracts to which the insurer is a party.

l. Continue to prosecute and institute in the name of the Companies or in the Liquidator's own name any and all suits and other legal proceedings in this state and elsewhere, and abandon the prosecution of claims the Liquidator deems unprofitable to pursue further. If one or more of the Companies is dissolved under Haw. Rev. Stat. § 431:15-309, the Liquidator shall have the power to apply to any court in this state or elsewhere for leave to substitute the Liquidator therefore as plaintiff.

m. Prosecute any action that may exist on behalf of the creditors, members, policyholders or shareholders of the Companies against any officer of the Companies or any other person, to the extent not released in the Settlement Agreement.

n. Remove any or all records and property of the Companies to the offices of the Commissioner or to such other place as may be convenient for the purposes of efficient and orderly execution of the Liquidation.

o. Deposit in one or more banks in this states such sums as are required for meeting current administration expense and dividend distributions.

p. Invest all sums not currently needed, unless the court orders otherwise.

q. File any necessary documents for recordation in the Bureau of Conveyances or other appropriate office or elsewhere where property of the Companies is located.

r. Assert all defenses available to the Companies as against third persons, including statutes of limitations, statutes of frauds, and the defense of usury. A waiver of any defense by the Companies after the petition for liquidation was filed shall not bind the Liquidator.

s. Exercise and enforce all the rights, remedies, and powers of any creditor, shareholder, policyholder, or member, including any power to avoid any transfer or lien that may be given by the general law and that is not included with Haw. Rev. Stat. §§ 431:15-315 through 431:15-317.

t. Intervene in any proceeding wherever instituted that might lead to the appointment of a receiver or trustee, and act as the receiver or trustee whenever the appointment is offered.

u. Enter into agreements with any receiver or commissioner of any other state relating to the rehabilitation, liquidation, conservation or dissolution of the Companies.

v. Exercise all powers now held or hereafter conferred upon liquidators or receivers by

the laws of this state not inconsistent with the Act.

w. Do such other acts not specifically enumerated in this Supplemental Order of Liquidation and the Act, or otherwise provided for, as may be necessary or appropriate for the accomplishment of or in aid of the purpose of liquidation of the Companies.

9. Pursuant to Haw. Rev. Stat. §431:15-106, any officer, manager, director, trustee, owner, employee, or agent of the Companies, or any other persons with authority over, or in charge of any segment of the Companies' affairs, shall cooperate with the Commissioner, Liquidator or receiver in this proceeding, related proceedings, and any investigation preliminary to this proceeding. The term "person" in this paragraph includes any person who exercises control directly or indirectly over activities of the Companies through any holding company or other affiliate of the insurer and includes, but is not limited to, all officers, managers, directors, trustees, owners, employees or agents of First Assured Warranty Corporation, 1SourceAutoWarranty.com, and Warrantee Wise, Inc. The duty and obligation to cooperate shall include, but shall not be limited to the following:

a. To reply promptly in writing to any inquiry from the Commissioner, Liquidator or receiver requesting such a reply.

b. To make available and deliver to the Commissioner, Liquidator, or receiver any books, accounts, documents, or other records, or information or property of or pertaining to the Companies and in its possession, custody and control, including but not limited all funds that were, or should have been, held in separate trust accounts for the benefit of the Companies.

c. Specifically, the banks set forth below shall cooperate with the Liquidator and receiver in order to facilitate the transfer of any assets being held for the benefit of the Companies, to the extent such transfers have not already occurred:

10. No person shall obstruct or interfere with the Commissioner, Liquidator or receiver in the conduct of this delinquency proceeding or any investigation preliminary or incidental hereto.

11. Pursuant to Haw. Rev. Stat. § 431:15-105, the following injunctions and restraining orders are entered and the Liquidator may seek further injunctions, restraining orders and orders

as necessary and proper under the Act. Application of these injunctions includes, but is not limited to, all persons identified in Paragraph 9 of this Liquidation Order.

a. The Companies are enjoined and restrained from the transaction of further business. The Companies are hereby enjoined from issuing any warranties that identify PrimeGuard as an insurer of such warranties.

b. No property belonging to the Companies may be transferred without the express written approval of the Liquidator and/or the receiver.

c. Interference with the Liquidator or receiver or with this proceeding is prohibited.

d. Waste of the Companies' assets is prohibited.

e. Dissipation and transfer of bank accounts is prohibited, except as expressly provided for herein or as designated by the Liquidator or receiver.

f. With the exception of actions brought or expressly approved by the Liquidator, the institution or further prosecution of any actions or proceedings against the Companies is prohibited.

g. The obtaining of preferences, judgments, attachments, garnishments, or liens against the Companies is prohibited.

h. The levying of execution against the Companies is prohibited.

i. The making of any sale or deed for nonpayment of taxes or assessments that would lessen the value of the assets of the Companies is prohibited.

j. The withholding from the Liquidator or receiver of books, accounts, documents, or other records relating to the business of the Companies is prohibited.

k. Any other threatened or contemplated action that might lessen the value of the Companies' assets or prejudice the rights of policyholders, creditors, or shareholders, or the administration of any proceeding under this article is prohibited.

Dated: Honolulu, Hawaii, JUL 17 2008

VICTORIA S. MARKS

SEAL

JUDGE OF THE ABOVE-ENTITLED COURT