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IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT OF THE

STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

STATE OF IDAHO, ex rel. SMITH, Director of the IDAHO DEPARTMENT OF INSURANCE,	)	Case No CV 0C 0501668
Petitioner,	)	ORDER OF LIQUIDATION
vs.	)	
TWIN FALLS MUTUAL INSURANCE COMPANY,	)	
Respondent.	)	

This matter being presented to the court as Petitioner/Rehabilitator's Motion to Convert Rehabilitation to Liquidation and having come for hearing on May 2, 2005, the Court having reviewed the pleadings and attached documents in the file and being fully

advised in the premises, and finding that notice was properly given in light of the court's grant of the Motion to Shorten Time, and no person having objected, and good cause appearing therefor; the Court hereby makes and enters the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Twin Falls Mutual Insurance Company (TFMIC) is an Idaho domestic mutual insurance company, having previously been organized as a county mutual insurer with offices in Buhl, Idaho, and is authorized to transact property and casualty insurance in the state of Idaho under Certificate of Authority No. 1923 and NAIC (National Association of Insurance Commissioners) Company Code No. 10233.

2. On October 29, 2004, the Petitioner (also referred to as Rehabilitator and Liquidator) ordered TFMIC into administrative supervision pursuant to Chapter 33, Title 41, Idaho Code, because it did not maintain the required $2 million surplus pursuant to Idaho Code §§ 41-313 and 41-3102A(2).

3. Pursuant to a Resolution for Consent to Rehabilitation & Liquidation Order(s) attached as Exhibit B to the Verified Petition for Order of Rehabilitation filed on March 11, 2005, the Court ordered TFMIC into rehabilitation on March 16, 2005.

4. The policyholder surplus of TFMIC as of March 31, 2005 is $225,045, well below the $2 million required by Idaho Code § 41-313 and 41-3102A(2).

5. TFMIC is insolvent as defined in Idaho Code § 41-3303(11)(b).

6. As established by the Affidavit of Martha F. Hopper, further attempts to rehabilitate TFMIC would substantially increase the risk of loss to

creditors, policyholders, and the public, and any further efforts to rehabilitate TFMIC would be futile.

7. The inability to rehabilitate TFMIC due to futility, along with the increased risk of loss to policyholders, creditors, and the public constitute good cause under Idaho Code § 41-3316, for the entry of an order directing the company's liquidation.

8. TFMIC has given its consent to the entry of an order directing it to be liquidated as set forth in the resolution dated March 9, 2005, attached as Exhibit B to the Verified Petition for Order of Rehabilitation.

9. The Liquidator has all the powers and duties as specifically provided for in Idaho Code § 41-3321, and as generally provided for under all other provisions of Chapter 33, Title 41, Idaho Code.

10. The Liquidator has the power and authority pursuant to Chapter 33, Title 41, Idaho Code, to liquidate TFMIC under the general supervision and exclusive jurisdiction of this Court.

11. The costs and expenses to be incurred by the Liquidator in the liquidation of TFMIC are Class 1 claims pursuant to Idaho Code § 41-3342(1), and shall be paid by the Liquidator without prior approval of this Court.

12. To the extent any of the foregoing Findings of Fact should be denominated as a Conclusion of Law, such Findings of Fact are so denominated.

CONCLUSIONS OF LAW

13. Good and sufficient cause exists to terminate the rehabilitation proceeding and to enter a final Order of Liquidation of TFMIC under § 41-3316,

Idaho Code, because continuation of the rehabilitation would be futile and would substantially increase the risk of loss to creditors, policyholders, and the public. Good and sufficient cause exists to terminate the rehabilitation proceeding and to enter a final Order of Liquidation of TFMIC under § 41-3317, Idaho Code, based on the insolvency of the company. Good and sufficient cause exists to terminate the rehabilitation proceeding and to enter a final Order of Liquidation of TFMIC under § 41-3317, Idaho Code, based on the company's consent thereto.

14. The Motion to Convert Rehabilitation to Liquidation is hereby granted and shall be effective as of the date of this order.

15. Upon the entry of this Order of Liquidation, title to all of the property, bank accounts, contracts, rights of action, computer files, and all books and records (including computer and electronic data), wherever located, of TFMIC's estate vests in the Liquidator by operation of law pursuant to § 41-3318(1), Idaho Code, recognizing that title to all such assets vested in the Liquidator as Rehabilitator as of the date of the Order of Rehabilitation.

16. The Liquidator has the authority to liquidate TFMIC's assets.

17. TFMIC is subject to the terms and conditions of this Order of Liquidation and the exclusive jurisdiction of this Court.

18. The filing or recording of the Order of Liquidation with (1) the clerk of the Fourth District Court in and for the County of Ada, State of Idaho and (2) the recorder of deeds of Twin Falls County, State of Idaho shall impart the same notice as would a deed, bill of sale or other evidence of title duly filed or recorded with the recorder of deeds.

19. Title to all TFMIC assets, tangible and intangible, real, personal, and inchoate, shall vest in Petitioner as Liquidator of TFMIC.

20. To the extent any of the foregoing Conclusions of Law should be denominated as a Finding of Fact, such Conclusions of Law are so denominated.

NOW, THEREFORE, IT IS ORDERED, ADJUDGED AND DECREED:

1. The Petitioner, Gary L. Smith, Director of the Idaho Department of Insurance, and his successors in office, is hereby appointed liquidator of TFMIC pursuant to Idaho Code § 41-3318(1) (the Liquidator)..

2. The Motion to Convert Rehabilitation to Liquidation is hereby granted, and this Order of Liquidation is effective as of this date.

3. The Liquidator is granted all powers, duties and responsibilities as set forth in § 41-3321, Idaho Code, and all other powers, duties and responsibilities provided by Chapter 33, Title 41, Idaho Code, and the laws of the state of Idaho.

4. All reasonable fees, costs and expenses of the Liquidator and any special deputy liquidator, including all agents, representatives, legal counsel, experts, consultants, and independent contractors engaged by the Liquidator shall be paid out of the assets of TFMIC's liquidation estate, at the Liquidator's discretion.

5. The Liquidator is vested by operation of law with all rights, title and interest to all of the assets (including statutory deposits), property, contracts, and rights of action and all of the books and records (including computer and electronic data) of TFMIC wherever located, as of the date of the Order of

Rehabilitation. The Court is mindful of the entry of its Order Approving Assumption Agreement, and nothing in this Order of Liquidation shall be deemed to contravene said order.

6. The Liquidator is authorized to do all acts, execute all documents, marshal all assets, liquidate all assets and apply the proceeds to pay liabilities, expenses and claims; and perform any and all functions which the Liquidator deems necessary to effectuate the liquidation of TFMIC.

7. TFMIC's current and former officers, directors, managers, agents and employees are hereby enjoined from disposing of any of TFMIC's property, or transacting any business except upon express permission of the Liquidator, or by further order of this Court.

8. The Liquidator has full power to direct, manage, hire, and discharge directors, officers, employees, consultants, and agents of TFMIC.

9. The Liquidator is vested with all of the rights, title, and interest in all funds recoverable under treaties, contracts and agreements of reinsurance entered into by TFMIC, and that all reinsurance companies involved with TFMIC are hereby restrained from making any settlement with any claimant or policyholder of TFMIC other than the Liquidator, except as provided by § 41-3332, Idaho Code, and except as contemplated in the Assumption Agreement between the Rehabilitator and Oklahoma Farmers Union Mutual Insurance Company.

10. Any agent, broker, premium finance company of TFMIC, as well as any banks, brokerage houses, reinsurers, third party administrators, or other

companies or persons having in their possession assets or unearned commissions, except as permitted by §§ 41-3330 and 41-3333, Idaho Code, which are or may be the property of TFMIC, are hereby enjoined from disposing of or destroying the same or disposing of or destroying any records pertaining to any business transaction between TFMIC and its agents, brokers, banks, brokerage houses, reinsurers, third party administrators, or other companies or persons having done business with TFMIC or having in their possession assets which are or were the property of TFMIC. Nothing in this order shall be deemed to contravene the effect of the Order Approving Assumption Agreement.

11. Any bank, savings and loan association, institution or other person or entity which has on deposit, in its possession, custody or control any funds, accounts, and any other assets of TFMIC shall immediately transfer title, custody and control of all such funds or assets to the Liquidator and is instructed that the Liquidator shall have absolute, exclusive and complete control over such accounts and other assets. That the Liquidator may change the name of such accounts and other assets, withdraw them from such bank, savings and loan association, other institution, person or entity, or take any other action necessary for the proper conduct of this liquidation.

12. TFMIC, its officers, directors, agents, brokers, general agents, employees, and all other persons having notice of these proceedings or of the Order of Liquidation shall be enjoined from transacting any business of TFMIC or disposing of any property or assets of TFMIC's estate, or doing or permitting

to be done any action which might waste the property or assets of TFMIC's liquidation estate, except pursuant to the direction of the Liquidator.

13. Notwithstanding the powers and authority of the Liquidator as set forth in this Order of Liquidation, or Chapter 33, Title 41, Idaho Code, the Liquidator has no obligation to defend claims in any forum other than the District Court of Ada County, State of Idaho, subsequent to the entry of the Order pursuant to §§ 41-3318, 41-3321, and 41-3324, Idaho Code.

14. The Liquidator is authorized and directed to wind-down and terminate TFMIC's business and affairs and to make the continued expenditure of such wages, rents, and other expenses as are necessary for the administration of the liquidation of TFMIC's estate.

15. The enumeration of the powers and authority of the Liquidator as set forth in this Order of Liquidation or Chapter 33, Title 41, Idaho Code, shall not be construed as a limitation upon him, nor does it exclude in any manner the right to do such other acts, not specifically enumerated or otherwise provided for, as may be necessary or appropriate for the accomplishment of the liquidation of TFMIC.

16. The Liquidator has the authority pursuant to §§ 41-3326 to 41-3329, Idaho Code, to avoid fraudulent transfers, preferences, liens and claims.

17. All the rights and liabilities of TFMIC and of its creditors, policyholders and all other persons interested in TFMIC's estate are and shall become fixed as of the date of entry of this Order of Liquidation.

18. All persons are enjoined from asserting or maintaining any future or existing action at law, equity or in arbitration against TFMIC or its assets or the Liquidator, whether in this state or outside this state.

19. The Liquidator is authorized to institute, prosecute, defend, compromise, intervene in, seek stays in, or become a party to, such suits, actions or proceedings at law or in equity as, in the Liquidator's opinion, be necessary for the collection, recovery, protection, maintenance or preservation of the property of TFMIC's estate.

20. Except by leave of this Court, during the pendency of the liquidation, TFMIC and all customers, policyholders, principals, investors, creditors, lessors, and other persons (except for the Liquidator) seeking to establish or enforce any claim, right or interest against or on behalf of TFMIC, and all others acting for or on behalf of such persons including attorneys, trustees, agents, sheriffs, constables, marshals and other officers and their deputies and their respective attorneys, servants, agents, and employees, are enjoined from: (a) Commencing, prosecuting, continuing or enforcing any claim suit or proceedings involving TFMIC or against any of its assets except that this Order does not enjoin the filing of any claim pursuant to § 41-3335, Idaho Code; (b) Commencing, prosecuting, continuing or enforcing any suit or proceeding in the name of or on behalf of TFMIC; (c) Accelerating the due date of any obligation or claimed obligation, enforcing any lien upon, or taking or attempting to take possession of, or retaining possession of, any property of TFMIC, or attempting to foreclose, forfeit, alter or terminate any interest of TFMIC in any

of its property or assets whether such acts are part of a judicial proceeding or otherwise; (d) Using self-help or executing or issuing or causing the execution or issuance of any court attachment, subpoena, replevin, execution or other process for the purpose of impounding or taking possession of, or interfering with, or creating, or enforcing a lien upon, any property or asset of TFMIC's estate whereever located, owned by or in the possession of TFMIC or the Liquidator appointed pursuant to this Order or any agents appointed by the Liquidator; and (e) Doing any act or thing whatsoever to interfere with the taking control of, possession or management by the Liquidator of the property of TFMIC's estate or subject to this Liquidation, or to in any way interfere with the Liquidator, or to interfere, in any manner, with the exclusive jurisdiction of this Court over the property and assets of TFMIC's estate subject to this Liquidation.

21. No person may serve or cause to be served upon the Liquidator any legal process, including attachments, garnishments, subpoenas, writs of replevin, writs of execution and every other form of process, whether described specifically in this Order of Liquidation or not, without first securing the authorization of this Court in the form of relief from the injunctions set forth herein or other appropriate order or the specific written consent of the Liquidator. Persons endeavoring to secure documentation from the Liquidator shall in all instances first attempt to secure such information by submitting a formal written request to the Liquidator and, if such request has not been responded to within thirty (30) days, such person may thereafter seek an order of this Court with regard to the relief requested.

22. As soon as practicable, but in no event later than 120 days from entry of the Order of Liquidation, the Liquidator shall prepare in duplicate, pursuant to § 41-3325, Idaho Code, a list of TFMIC's assets and file one copy with the Clerk of the Court for the Fourth District Court, in and for the County of Ada, and one copy shall be retained by the Liquidator. The list shall be amended or supplemented as the Liquidator may determine and a copy of all amendments and supplements shall be filed with the Clerk of the Court and a copy retained by the Liquidator.

23. The Liquidator shall provide notice pursuant to Idaho Code § 41-3322 to all prospective claimants as may be reasonably determined from TFMIC's records, which notice shall specify a date as the last day for the filing of proofs of claim, with the Liquidator, at the offices designated by either in such notice.

24. TFMIC's insurance policies shall be deemed to have been transferred and assumed by Oklahoma Farmers Union Mutual Insurance Company effective May 1, 2005, so long as the Assumption Agreement is closed in accordance with its terms as approved by the Court.

25. This Court retains exclusive jurisdiction in this matter for the purpose of granting such other and further relief as the nature of this cause and the interests of the policyholders and creditors of TFMIC or the members of the public may require.

26. The Liquidator may request instructions from this Court on any matter about which the Liquidator may wish to seek guidance from this Court.

DATED this 2 day of May 2005.

JOEL D. HORTON

JOEL D. HORTON,
District Judge

STATE OF IDAHO } SS.
COUNTY OF ADA
I, J. David Navarro, Clerk of the District Court of the Fourth Judicial District of the State of Idaho, in and for the County of Ada, do hereby certify that the foregoing is a true and correct copy of the original on file in this office. In witness whereof, I have hereunto set my hand and affixed by official seal this 2 day of May 2005
J. DAVID NAVARRO, Clerk By Deputy

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have on this 2 day of May 2005, caused a true and correct copy of the foregoing order to be served upon the following by the designated means:

John K. Cato, Sec./Treas. Glen Gier, Pres. Jeff Stevens Twin Falls Mutual Insurance Co. 1008 Burley Ave Buhl, ID 83316 jeff@tfmutual.com	x first class mail ___ certified mail ___ hand delivery ___ via facsimile ___ email
Charles F. Wright Wright Bros. Law Office PLLC PO Box 226 Twin Falls, ID 83303-0226 cwright@wrightbrotherslaw.com	x first class mail ___ certified mail ___ hand delivery ___ via facsimile ___ email
Steven D. Peterson PO Box 5827 Twin Falls, ID 83303 sdppc@cableone.net	x first class mail ___ certified mail ___ hand delivery ___ via facsimile ___ email
Morgan W. Richards 804 E. Pennsylvania Lane Boise, ID 83706 mwrlaw@cableone.net	x first class mail ___ certified mail ___ hand delivery ___ via facsimile ___ email

David Edwards Western Guaranty Fund Services Idaho Guaranty Association 1720 S. Bellaire, Suite 408 Denver, CO 80222 dedwards@wgfs.org	__x__ first class mail _____ certified mail _____ hand delivery _____ via facsimile _____ email
Jeffrey Mann Oklahoma Farmers Union Mutual Ins. Co. PO Box 24000 Oklahoma City, OK 73127-6521 jmann@ofumic.com	__x__ first class mail _____ certified mail _____ hand delivery _____ via facsimile _____ email
Gary Robb Idaho Guaranty Association 1242 Shenandoah Drive Boise, ID 83712	__x__ first class mail _____ certified mail _____ hand delivery _____ via facsimile
Thomas A. Donovan Deputy Attorney General Idaho Department of Insurance P.O. Box 83720 Boise, ID 83720-0043	__X__ first class mail _____ certified mail _____ hand delivery _____ via facsimile

J. DAVID NAVARRO
CLERK OF THE DISTRICT COURT
MELANIE GAGNEPAIN

By: _____
Deputy Clerk

SEAL