

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

ANITA G. FOX, DIRECTOR OF THE
MICHIGAN DEPARTMENT OF
INSURANCE AND FINANCIAL SERVICES,

Petitioner,

v

PAVONIA LIFE INSURANCE
COMPANY OF MICHIGAN,

Respondent.

Case No. 19-504-CR

HON. WANDA M. STOKES

[IN REHABILITATION]

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**REHABILITATOR’S MOTION FOR FINAL ORDER:
(i) APPROVING PLAN OF REHABILITATION AND RELATED CLOSING
OF STOCK PURCHASE AGREEMENT;
(ii) TERMINATING REHABILITATION;
(iii) APPROVING ACTIONS OF THE REHABILITATOR; AND
(iv) DISCHARGING THE REHABILITATOR, CLOSING THE CASE, AND
GRANTING RELATED RELIEF**

Anita G. Fox, Director (the “**Director**”) of the Michigan Department of
Insurance and Financial Services (“**DIFS**”) and Court-appointed and statutory
Rehabilitator (the “**Rehabilitator**”) of Pavonia Life Insurance Company of

Michigan (“**Pavonia Life**”), and its wholly-owned subsidiary Global Bankers Insurance Group, LLC (“**ServiceCo**,”) and collectively with Pavonia Life, the (“**Pavonia Entities**”), by and through her attorneys, Dana Nessel, Attorney General of the State of Michigan, and Christopher L. Kerr and Aaron W. Levin, Assistant Attorneys General, in support of her Motion for Final Order: (i) Approving Plan of Rehabilitation and Related Closing of Stock Purchase Agreement; (ii) Terminating Rehabilitation; (iii) Approving Actions of the Rehabilitator; and (iv) Discharging the Rehabilitator, Closing the Case, and Granting Related Relief (this “**Motion**”), states as follows:

HEARING

1. This Motion is scheduled for hearing on **Tuesday, May 26, 2020, at 2:30 p.m.** At that time, James E. Gerber will be available to verify the facts set forth in this Motion.

BACKGROUND

2. On July 9, 2019, this Court entered a Stipulated Order Placing Pavonia Life Insurance Company of Michigan into Rehabilitation, Approving Compensation of Special Deputy Rehabilitators, and Providing Injunctive Relief (the “**Rehabilitation Order**”). The Rehabilitation Order appointed the Director as the Rehabilitator of Pavonia Life, including ServiceCo, as required by MCL 500.8113(1), and further approved the compensation of the Rehabilitator’s appointed Special Deputy Rehabilitators, James E. Gerber, Janice Sylvertooth, and Julieanne Gulliver, under MCL 500.8114(1) (the “**Deputy Rehabilitators**”).

3. Unlike most insurer receiverships, this matter has not involved a financially troubled insurance company. Rather, the Pavonia Entities are solvent and are affiliates and wholly-owned subsidiaries of GBIG Holdings, Inc. (“**GBIG Holdings**”), which also owns several North Carolina domiciled affiliated insurance companies that were placed in rehabilitation by the North Carolina Insurance Commissioner on June 27, 2019 (the “**NC Insurer Affiliates**”).

4. Further, the Pavonia Entities are wholly-owned subsidiaries of GBIG Capital, LLC, which in turn is wholly owned by Greg E. Lindberg, a North Carolina resident. At this time, and until the Closing¹ of the transaction that is an integral component of the Plan of Rehabilitation (“**Plan**”) for the Pavonia Entities, Mr. Lindberg remains their upstream owner. On March 5, 2020, a federal jury in the Western District of North Carolina convicted Mr. Lindberg on allegations of bribing the North Carolina Insurance Commissioner. Sentencing and various post-trial motions are pending.

5. Pursuant to MCL 500.8114(4), the Rehabilitator prepared the Plan to effectuate the reorganization and transformation of the Pavonia Entities for the protection and benefit of the companies, their policyholders, and creditors. The Plan proposes the sale of the Pavonia Entities by GBIG Holdings, as Seller, to a non-affiliated third party, Aspida Holdco LLC (“**Aspida**”), a Delaware holding company that is an affiliate of Ares Management Corporation, as Buyer.

¹ Certain capitalized terms adopt the meanings per documents previously filed with the Court (e.g., “**Closing**”).

6. In sum, the Plan effects a change in ownership and management and implements a process for resolving claims for “Unscheduled Liabilities” as defined in the Plan, other submissions to the Court, and this Court’s Orders.

7. Prior to entry of the Rehabilitation Order, GBIG Holdings transferred ServiceCo to, and it became a wholly-owned subsidiary of, Pavonia Life. The transfer was effected with full disclosure to DIFS. Buyer and Seller communicated the terms of the Stock Purchase Agreement (“SPA”) to DIFS prior to the rehabilitation and reported that ServiceCo would be transferred in light of Buyer’s acquisitions pursuant to the terms and conditions of the SPA.

8. The Plan and the transaction are being undertaken as part of and pursuant to the State of Michigan’s regulation of the business of insurance, and thus to protect the interests of policyholders and to secure their contractual coverage.

9. On July 9, 2019, GBIG Holdings and Aspida entered into the SPA immediately prior to the institution of these rehabilitation proceedings. The SPA is part of and fully integrated into the Plan, and was subject to both DIFS’ Form A regulatory approval pursuant to MCL 500.1311 – 500.1319 and this Court’s approval of the Plan.

10. During these proceedings, consistent with the Plan, the Rehabilitator caused the Pavonia Entities to conduct their business in the ordinary course and in accordance with Chapter 81 of the Michigan Insurance Code, MCL 500.8101 –

500.8159 (“**Chapter 81**”), and with the Plan, and at times has consulted with the parties in anticipation of the transaction ultimately Closing.

11. Pursuant to the SPA, Seller agreed to sell to Buyer, free and clear of any security interest, claim, restriction, encumbrance, lien, or adverse right, and Buyer agreed to acquire from Seller, all of Seller’s right, title, and interest in and to all of the issued and outstanding capital stock of Pavonia Life and, indirectly, ServiceCo, on the terms and conditions stated therein.

12. At the Rehabilitator’s request, on August 8, 2019, the Court entered an Order Preliminarily Approving Plan of Rehabilitation to: (i) Set Bar Date and Establish Mandatory Procedures For Claims For Unscheduled Liabilities by any and all persons who may assert such Unscheduled Liabilities Claims (hereinafter, “**Unscheduled Liabilities Potential Claimants**”); (ii) Establish Procedures for Notice, Comment and Hearing Concerning Final Approval of Plan of Rehabilitation; and (iii) Authorize Combined Notice (the “**Procedural Order**”).

13. The Rehabilitator issued the required combined notice and implemented the claims procedure.² Seven proofs of claim were timely filed. Those persons who filed such claims are referred to hereinafter as the “**Unscheduled Liabilities Claimants**” and the claims they filed are referred to hereinafter as the “**Unscheduled Liabilities Claims.**” All but three of the claims have been resolved:

² The Seller has represented that it provided the combined notice to several additional lenders and investors in entities owned by the controlling shareholder out of an overabundance of caution.

- a. POC No. 2, filed by claimant United States of America, which for purposes of the final Order shall be deemed to include therein potential claims of the Internal Revenue Service (“**US Claim**”);
- b. POC No. 5, filed by claimant Andesa Services, Inc., a data processing company located in Allentown, Pennsylvania (“**Andesa Claim**”); and
- c. POC No. 7, filed by claimant Charles Schwab & Co., Inc. and Charles Schwab Corporation, a Delaware Corporation (“**Schwab Claim**”).

14. In addition to the timely filed proofs of claim, on or about March 30, 2020, the Rehabilitator received notice of a summons and pleadings relating to a third-party claim against Pavonia Life in a matter known as *LSF10 Master Participation Trust v. Woodrow W. Lasher, Jr. et al.*, No. CJ-2018-45 pending in the District Court for Lincoln County, Oklahoma (“**Sharp Litigation**”).

15. Two objections to the Plan were timely filed. One was filed by Charles Schwab & Co., Inc. and Charles Schwab Corporation, which was subsequently withdrawn. The other was filed by Independent Insurance Group, LLC (“**Independent**”), which objection was exhaustively briefed and is discussed further below.

16. The Rehabilitator does not have cause to believe that the universe of Unscheduled Liabilities Potential Claimants is material in number or value. Except for the Sharp Litigation, the Rehabilitator does not know of any Unscheduled Liabilities Potential Claimant that has not filed a proof of claim or otherwise participated in the claim procedure. The Rehabilitator determined that Unscheduled Liabilities might arise out of or relate to affiliate investments engaged

in by the NC Insurer Affiliates and/or the controlling shareholder. The class of Unscheduled Liabilities was narrowly circumscribed to reflect the risk that such affiliate investments and Mr. Lindberg represent to the Pavonia Entities, their policyholders, other creditors, and the public, whether in the form of a potential claim against the stock or other assets of the companies, to avoid or set aside the transaction, or otherwise. The Plan uses a narrowly tailored approach to resolve and extinguish that risk, which ensures the continued coverage of policyholders.

17. The rehabilitation did not affect at any time, and the restoration provisions of the requested final Order will not effect, any assignment of rights or obligations due or owing under any policy or other Pavonia Entities contract.

18. On January 13, 2020, Deputy Rehabilitator James E. Gerber submitted his First Report and Accounting to the Court. Therein the Deputy Rehabilitator summarized all significant developments since the initiation of these proceedings, and provided a detailed background about Pavonia Life, its history, business, financial circumstances, the Rehabilitator's actions and accomplishments, the proposed transaction between GBIG Holdings and Aspida, pending litigation, regulatory matters, administrative matters, and other financial matters. As described in the conclusion, the "major goal" for 2020 was "to resolve the United States Government claim," and "contingent upon DIFS's Form A approval, proceed with the Court's final approval of the sale" as outlined in the Plan.

19. On January 16, 2020, the Court held a hearing concerning the Plan and the one pending objection filed by Independent.

20. On March 9, 2020, the Court denied Independent’s objection and indicated its intention to grant final approval to the Plan. Specifically, the Court stated that “Pending Form A approval, this Court sees no reason to deviate from the Rehabilitation Plan . . . and no reason to delay the consummation of the SPA any longer.”

21. On March 12, 2020, Director Fox issued Order No. 2020-08-M approving Aspida’s Form A Statement and the acquisition of the Pavonia Entities by Aspida. As a result, the sole major goal that remained for the Rehabilitator as described in the Deputy Rehabilitator’s January 13, 2020 report to the Court was to resolve the US Claim for an “Unknown” amount.

22. After consulting with the Buyer and Seller, the Rehabilitator recommends that the Closing proceed and that the US Claim be resolved via a two-pronged approach: (a) denial of the US Claim for failure to timely substantiate its content in compliance with MCL 500.8136; and (b) the Pavonia Entities by agreement will satisfy and hold the Director, the Rehabilitator, and/or Deputy Rehabilitators harmless against the US Claim, based on the remote contingency that the United States Department of Justice (“**DOJ**”) later attempts to pursue the US Claim against the Rehabilitator and/or Deputy Rehabilitators, as described further below.

23. With respect to the first prong, on April 13, 2020 Deputy Rehabilitator James E. Gerber sent a letter to the DOJ representative who filed the US Claim advising that the claim is deficient because it states as “Unknown” all relevant

information required to support the claim, and therefore does not comply with MCL 500.8136. (Exhibit A, Letter to DOJ.) The letter afforded the DOJ ten calendar days, or until April 23, 2020, to provide the missing information required to substantiate the US Claim, otherwise the claim would be automatically denied. The DOJ did not provide the missing information or otherwise respond to the letter, therefore the Rehabilitator denied the US Claim effective as of April 23, 2020. Although the DOJ has thirty days, or until May 26, 2020, to object to the Rehabilitator's denial of the US Claim, it is not anticipated that any objection or other response will be forthcoming. Barring a timely objection, then pursuant to MCL 500.8139(1) and the Procedural Order, the Rehabilitator's determination to deny the US Claim is a final determination as to the validity, distribution priority, and allowed amount of the claim and the United States will have no right to further object to the Rehabilitator's determination to deny the US Claim.

24. With respect to the second prong, the Pavonia Entities will by agreement: (a) hold the Director, Rehabilitator, and/or Deputy Rehabilitators harmless against the US Claim, in the unlikely event that the DOJ later attempts to pursue the US Claim against the Rehabilitator and/or Deputy Rehabilitators; and (b) satisfy the US Claim, in the unlikely event that the Rehabilitator's denial of the US Claim together with the releases, discharges, injunctions, and other protections provided in the final Order are deemed ineffective by a court of competent jurisdiction to bar the US Claim, and such claim is awarded in a final, non-appealable order.

25. Consistent with Sections 2.04, 7.05 and 7.06(a) of the SPA, the Pavonia Entities will be executing two agreements with the companies' affiliates, including the NC Insurer Affiliates and the upstream owner: (i) Termination of Cost Sharing Agreement; and (ii) Termination and Release Agreement. These agreements effect the termination of intercompany agreements in their entirety, and settle all payables accrued under intercompany agreements, other than a tax sharing agreement, which is separately addressed. The Seller and Buyer may execute an amendment to the SPA to address certain transactional points prior to Closing, and any such amendment, if any, shall be deemed part of the SPA for all purposes of this Motion.

26. In light of DIFS' Form A approval and subject to the Court's final approval of the Plan as requested herein, the Rehabilitator believes that the transaction between the parties should proceed to Closing.

27. By this Motion, the Rehabilitator seeks a final Order approving the Plan and the related SPA to take effect upon Closing; termination of the rehabilitation proceedings; approval of the Rehabilitator's actions; discharge of the Rehabilitator; and closure of the case subject to the Court's inherent jurisdiction to enforce its orders. This and the other related relief that the Rehabilitator specifically seeks from the Court, through entry of an Order in the form attached as Exhibit B, is described more fully below and summarized in the closing section entitled "Relief Requested."

**REQUEST FOR FINAL ORDER APPROVING PLAN AND
RELATED CLOSING OF SPA**

28. The concluding phase of this rehabilitation involves the Closing and restoration to the Pavonia Entities of possession of their property and control of their business which form the Estate (as defined below) that is the subject of the rehabilitation proceedings. To complete the transaction, the assets to be purchased include those supporting direct and assumed insured liabilities (here, “**Scheduled Liabilities**”). As a result, the reformation of the Pavonia Entities involves their resumption of only Scheduled Liabilities, and adjudication and final determination of Unscheduled Liabilities Claims, including the US Claim, the Andesa Claim, the Schwab Claim, and the Sharp Litigation, as discussed further below.

29. The Plan effects the separation of the Pavonia Entities from the NC Insurer Affiliates and Mr. Lindberg so that their business and property may be safely restored to the Pavonia Entities for the protection of their respective policyholders, creditors, and the public. That restoration ensures the continuity of insurance coverage to policyholders and minimizes disruptions to operations. The separation is achieved, at least in part, by restoring to the Pavonia Entities the Scheduled Liabilities and the Assets of the Pavonia Entities (defined below) after all Unscheduled Liabilities have been adjudicated through the Claims Procedure (regardless whether a claim was filed). The restoration of assets and liabilities (along with control of the Pavonia Entities’ business) are express and integral conditions of, and will facilitate, the Plan and the transaction.

30. The Buyer has represented that it would not enter into the transaction or proceed with the Closing without the restoration provisions, releases, discharges and extinguishment of liability, and injunctive relief that will be set forth in the final Order, as required by the SPA. Those restoration provisions, releases, discharges and extinguishment of liability, and injunctions are provided for in MCL 500.8105(1) and 500.8121, are narrowly tailored to effectuate the transaction and implement the Plan, and are fair, equitable, and just under the facts of this case.

31. Upon Closing, the purposes of the rehabilitation will have been accomplished and the grounds for rehabilitation will no longer exist. MCL 500.8116(2). The Rehabilitator therefore requests that the Court enter a final Order approving the Plan and directing that simultaneously with the Closing: (a) the Scheduled Liabilities will be restored to the Pavonia Entities and become the obligation of the companies under the Buyer's ownership; (b) no liabilities beyond the Scheduled Liabilities will be restored to the Pavonia Entities, except as otherwise provided for herein (i.e., the Andesa Claim, the Schwab Claim, and the Sharp Litigation); and (c) after Closing the Pavonia Entities will not have any obligations for any Unscheduled Liabilities. Following the adjudication of all filed claims for Unscheduled Liabilities, unless otherwise specifically addressed herein, the Rehabilitator further requests that the Court bar the assertion of any further Unscheduled Liabilities that could have been filed, but were not, and forever release, discharge, bar, and extinguish any liability for unfiled claims (if any) for Unscheduled Liabilities against the Pavonia Entities and the transaction parties.

32. The Rehabilitator further requests a final Order and judgment for the release and discharge from, and extinguishment of, any pre-rehabilitation and pre-Closing liability or responsibility for the Pavonia Entities, Seller, Buyer, and their respective parents, owners, equity holders, subsidiaries, affiliates, officers, and directors (collectively, “**Affiliates**”) for any **Unscheduled Liabilities**; and for injunctions issued in favor of the Pavonia Entities, Seller, Buyer, and their **Affiliates** precluding the assertion against them of any claims for **Unscheduled Liabilities** by any and all **Unscheduled Liabilities Claimants** and **Unscheduled Liabilities Potential Claimants** (except for the Andesa Claim, the Schwab Claim, and the Sharp Litigation).

33. The Rehabilitator requests, and the Order attached as Exhibit B provides, that the Court make the following additional findings and conclusions with respect to the rehabilitation of the Pavonia Entities:

- a. The Court provided a full and fair opportunity for all policyholders, creditors, and interested persons to interpose objections or comments to the Plan.
- b. The Legislature vested the Court with exclusive subject matter jurisdiction over this rehabilitation, MCL 500.8104(3), and the power to enter a final judgment on the Plan that is binding on the Pavonia Entities, their policyholders, creditors, and the transaction parties.
- c. The Court has *in rem* jurisdiction over the assets and liabilities of the Estate. Entry of the Rehabilitation Order transferred control of the operations and vested the Director as Rehabilitator “by operation of law [with] title to all [of the Pavonia Entities] assets,” MCL 500.8113, and created an estate that comprises all of the Pavonia Entities’ assets and liabilities (“**Estate**”).
- d. The Court has *in personam* jurisdiction through the Rehabilitator’s general representation of all the Pavonia Entities’ creditors (including policyholders), the receipt of and payment for insurance contracts, the

filing of claims, the lodging of objections, and other acts by which creditors have invoked the benefits and protections of Michigan law.

- e. Subject to interim disputes or objections that may arise, the Rehabilitator represents the interests of all policyholders, creditors, and shareholders of the Pavonia Entities in developing and implementing a rehabilitation plan that is fair and equitable and protects the interests of all parties concerned.
- f. All contracts issued or executed by the Pavonia Entities during the rehabilitation are deemed to include Chapter 81 in their provisions and to have been entered into subject to Chapter 81.
- g. It is fair and reasonable for the Court to assert jurisdiction over policyholders, creditors, and other interested persons of the Pavonia Entities and the Estate in respect of their respective rights and interests, as well as those who may have a right to a direct or indirect claim against or involving the assets and liabilities of the Pavonia Entities and the Estate.
- h. All non-insured creditors (including, without limitation, Unscheduled Liabilities Claimants) who objected to the Plan or who sent a claim, request, reminder, notice, or demand of any kind or nature seeking or referencing any amount or obligation due or payment from the Pavonia Entities at any time after entry of the Rehabilitation Order have therefore made a claim against the Estate and invoked the benefits and protections of Michigan law.
- i. The Court's final approval of the Plan, as requested above, constitutes adjudication of the rights of all policyholders, actual and potential creditors, and other interested persons in accordance with Chapter 81. The final Order will apply to all policyholders, actual and potential creditors, and other interested persons to bind them to the judgment and Order.
- j. The Plan is lawful, appropriate, fair and equitable to all parties concerned, and a reasonable exercise of the Rehabilitator's authority and the State's police power.
- k. Assets of the Pavonia Entities, as defined herein, include but are not limited to capital and surplus, and will be restored to the Pavonia Entities specifically for concomitant Scheduled Liabilities.

34. The Rehabilitator further requests the Court to direct that upon Closing, neither Mr. Lindberg nor any other Global Group controlling person will have, nor may they exercise, any control over the Pavonia Entities.

35. The Buyer has represented, and the Rehabilitator believes, that the Buyer acted in good faith in the transaction.

36. The Seller has represented in the SPA that it is, and following the transaction will be, solvent, and it has provided to the Pavonia Entities an opinion that the consideration the Buyer will pay for the Pavonia Life shares and assets is financially fair to the Seller. No evidence has been presented to the Rehabilitator or the Director that the Seller is, or was at the time of signing the SPA, insolvent, or that the transaction will render the Seller insolvent. The SPA transactions are not payments on account of antecedent debt and are not made with intent to hinder, defraud, or delay any creditor of the Seller, the Pavonia Entities, or the Estate.

37. The Rehabilitator believes that the consideration that Buyer is providing is fair and constitutes reasonably equivalent value for the stock it is acquiring. As referenced in Order No. 2020-08-M approving the Form A Statement, DIFS separately obtained an Embedded-Value Opinion from an independent actuarial firm to determine the reasonableness of the purchase price under the SPA. The Embedded-Value Opinion supports the Seventy-Five Million Dollar (US \$75,000,000) purchase price. In addition, the SPA is supported by a Fairness Opinion that was obtained pursuant to Section 7.14 of the SPA.

38. The consideration provided by the Buyer under the SPA (i.e., \$75 million in cash plus numerous covenants) is good, valid, and valuable and allows for the transaction to close and protects all Pavonia Life policyholders. The release, discharge, and extinguishment of the Buyer's liability from all Unscheduled Liabilities, reinforced by injunctive relief, are necessary and appropriate to facilitate and protect the transaction that forms the foundation of the Plan.

39. Similarly, the consideration provided by the Seller under the SPA (i.e., selling all the issued and outstanding stock of Pavonia Life to Buyer) is good, valid, and valuable and allows for the transaction to close and protects all Pavonia Life policyholders. The release, discharge, and extinguishment of the Seller's liability from all Unscheduled Liabilities, reinforced by injunctive relief, are necessary and appropriate to facilitate and protect the transaction that forms the foundation of the Plan.

40. The Rehabilitator represents that restoration of the Assets of the Pavonia Entities (defined below) to the Pavonia Entities after the Closing of the transaction and termination of rehabilitation under MCL 500.8116(2) will not violate any applicable fraudulent transfer, voidable preference, voidable transaction, or other avoidance statute under federal (including title 11 of the United States Code) or state law.

41. As a result of the transaction, upon Closing the Rehabilitator requests that the Court order and decree the Buyer the owner of legal and beneficial title to the acquired shares free and clear of any liens, claims, interests, charges, and any

other encumbrances (including but not limited to Unscheduled Liabilities, except the Andesa Claim, the Schwab Claim, and the Sharp Litigation).

42. The Rehabilitator represents that the Plan, the transaction, and the requested final Order are all undertaken as part of and pursuant to the State of Michigan's regulation of the business of insurance, and thus to protect the interests of policyholders to secure their contractual coverage, and to protect the interests of creditors and the public.

43. The Rehabilitator further represents that: (i) the provisions of the Plan, the transaction, and the requested final Order comply with the Michigan Insurance Code, including but not limited to Chapter 81; and (ii) upon Closing, the Pavonia Entities will have been acquired in compliance with applicable law.

44. Consistent with the above, the Rehabilitator's requested final Order includes, among others, the following provisions:

A. Approval of the Termination of Cost Sharing Agreement and the Termination and Release Agreement with the Pavonia Entities' affiliates, including the NC Insurer Affiliates and the upstream owner, which the Pavonia Entities are authorized to enter and execute for purposes of Closing.

B. Upon Closing, the foregoing terms and the terms of the SPA and the Plan are and forever will be binding on and enforceable against the Estate, Pavonia Life's policyholders, all actual and potential creditors of the Pavonia Entities, any assigns, the Seller, the Buyer, and other potentially interested persons even if: (i) the transaction, the SPA, or the Plan affects or

impairs any rights or claims of such person; (ii) such person has responded to the Plan or the petition for its approval; and/or (iii) such person makes a later demand for payment of any claim or has made an appearance in this rehabilitation proceeding at any time.

C. Upon Closing, and pursuant to MCL 500.8116(2), the Rehabilitator's conduct of the Pavonia Entities' business as provided for in the Rehabilitation Order will terminate, and the Pavonia Entities will resume ownership and possession of their property and the conduct of their business as provided in the final Order and the SPA.

D. For purposes of Closing and effective prior to Closing, and with this Court's express approval under authority granted by applicable law, the Pavonia Entities' liabilities and assets will be restored to the companies, such that, effective upon Closing:

The Pavonia Entities' "**Post-Closing Liabilities**" shall include only Scheduled Liabilities and not any Unscheduled Liabilities, except for the Andesa Claim, the Schwab Claim, and the Sharp Litigation.

The Pavonia Entities shall be restored with, and vested in, and hold all right, title, and interest in and to their respective properties and assets, including, without limitation, all of the Pavonia Entities' rights, title, and interest in any and all: (i) owned and leased real property; (ii) accounts and notes receivable; (iii) all tangible personal property; (iv) contracts to which the Pavonia Entities or either of them is a party; (v) intellectual property; (vi) licenses, permits, franchises, approvals, registrations, authorizations, and consents; (vii) books and records, ledgers, files, documents, correspondence, and business and accounting records of every kind (including all financial, business, and marketing plans), all advertising, marketing, and promotional materials, all invoices, bills of sale, and other instruments and documents; (viii) claims (including

insurance benefits), causes of action, choses in action, rights of recovery, rights of recoupment, and rights of set-off; (ix) guarantees, warranties, indemnities, and similar rights in favor of the Pavonia Entities; (x) goodwill as going concerns and all other intangible property; (xi) all prepaid expenses, credits, advance payments, security deposits, charges, sums, and fees; (xii) cash, cash equivalents, securities, and investments; (xiii) prepayments, prepaid expenses (including, without limitation, prepaid insurance premiums), deferred charges, advance payments, and security deposits; (xiv) insurance, reserves, and deposits; and (xv) all other property not referred to above which is either represented on the Pavonia Entities' balance sheets or acquired by the Pavonia Entities thereafter (collectively, **"Assets of the Pavonia Entities"**).

The Pavonia Entities, Seller, Buyer, and their Affiliates and each of their officers and directors in such capacities shall be fully and unconditionally released and discharged from, and have absolutely no responsibility or liability whatsoever for any **Unscheduled Liabilities**, except as provided herein in relation to the Andesa Claim, the Schwab Claim, and the Sharp Litigation, and the Assets of the Pavonia Entities shall not be chargeable for any **Unscheduled Liabilities**.

No person or entity shall have a valid claim or cause of action against the Assets of the Pavonia Entities, the Pavonia Entities, Seller, Buyer, or their Affiliates' past, present, or future directors, officers, managers, employees, successors, or assigns in such capacities for any claim related to, or arising in connection with, directly or indirectly, any **Unscheduled Liabilities**, except as provided herein in relation to the Andesa Claim, the Schwab Claim, and the Sharp Litigation, and neither the Pavonia Entities, Seller, Buyer, their past, present or future directors, officers, managers, employees, successors, or assigns in such capacities, or their representatives in the transaction shall have any future responsibility or liability whatsoever, and are hereby fully released and discharged therefrom, except as provided herein in relation to the Andesa Claim, the Schwab Claim, and the Sharp Litigation.

E. Effective upon Closing, the restoration to the Pavonia Entities of the Assets of the Pavonia Entities, and sale of the shares to the Buyer, along with the Assets of the Pavonia Entities, shall be purchased free and clear of

all Unscheduled Liabilities (including, but not limited to, liens, encumbrances, claims, charges, and other interests of any nature, type, or kind whatsoever, whether arising under any contract, common law, statute, law, in equity, or otherwise) that have or could have been asserted against the Pavonia Entities or the respective shares of the Pavonia Entities at any time before or during the Rehabilitation or when such companies and assets and liabilities were within the title, possession, or control of the Rehabilitator or were part of the Estate, except the Andesa Claim, the Schwab Claim, and the Sharp Litigation.

F. Upon Closing, the Pavonia Entities shall be vested, good, valid, and marketable title, free of any and all liens, security interests, or encumbrances of whatever kind or nature, adverse claims, defenses (including, without limitation, rights of setoff and recoupment), and interests of third parties of any kind or nature, other than the Scheduled Liabilities and except for the Andesa Claim, the Schwab Claim, and the Sharp Litigation, in and to all Assets of the Pavonia Entities.

G. Effective upon Closing, to protect the transaction and effect the Plan, and consistent with MCL 500.8105(1)(c), (f), and (k), the Court will issue the following injunctions, which complement the Rehabilitation Order's injunctions entered previously in these proceedings:

All persons and entities, including, but not limited to, Estate creditors, contract counterparties, and other interested persons, and without limitation their respective owner members, directors, officers, affiliates, representatives, agents, employees,

parents, subsidiaries, successors, and assigns, and all persons in active concert or participation with any of them, whether in the State of Michigan or elsewhere, except as permitted by this Order, are permanently restrained and enjoined from: (i) pursuing in any manner any claim or commencing or continuing in any manner or in any place any suit, action, or other proceeding, whether legal, equitable, administrative, or otherwise, whatsoever relating directly or indirectly to Unscheduled Liabilities (except for the Andesa Claim, the Schwab Claim, and the Sharp Litigation) as defined in the Rehabilitator's Plan, submissions to the Court, and this Court's Orders, against Seller, the acquired shares, the Assets of the Pavonia Entities, the Pavonia Entities, Buyer, their Affiliates, or their respective representatives in the transaction; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the acquired shares, the Seller, the Assets of the Pavonia Entities, the Pavonia Entities, Buyer, or their respective Affiliates or representatives in the transaction relating directly or indirectly to Unscheduled Liabilities (except for the Andesa Claim, the Schwab Claim, and the Sharp Litigation) as defined in the Rehabilitator's Plan, submissions to the Court, and this Court's Orders; or (iii) creating, perfecting, or enforcing any lien or encumbrance with respect to the acquired shares or the Assets of the Pavonia Entities relating directly or indirectly to Unscheduled Liabilities (except for the Andesa Claim, the Schwab Claim, and the Sharp Litigation) as defined in the Rehabilitator's Plan, submissions to the Court, and this Court's Orders.

All persons and entities are hereby forever prohibited and enjoined from taking any action or omitting to act that would adversely affect or interfere with the ability of the Rehabilitator to effect the Plan, and to authorize the transfer of shares and restoration of the Assets of the Pavonia Entities or Post-Closing Liabilities.

Any person or entity attempting to pursue a claim or commence or continue any action or proceeding in violation of these injunctions shall cause such persons and/or entities to be subject to contempt proceedings before the Court and expose any such actors to applicable fines and sanctions.

H. The Andesa Claim and the Schwab Claim were timely-filed claims for Unscheduled Liabilities that remain unadjudicated. They shall be

the only, timely-filed Unscheduled Liabilities Claims that are restored by the Court's final Order to Pavonia Life upon the Closing. In addition, Pavonia Life will assume full responsibility for the Sharp Litigation post-Closing. All other timely-filed claims for Unscheduled Liabilities were either resolved with the Court's approval (i.e., Plymale, Gendaszek, and Mann) or were denied by the Rehabilitator and are therefore released and discharged.

I. Nothing in the Court's final Order will affect, relinquish, modify, or waive any Closing condition, termination right, or other right or obligation due under or set forth in the SPA and any related agreements.

J. The SPA (and each of the instruments or agreements contemplated by it and delivered pursuant to it) may be modified, amended, or supplemented in a writing signed by the parties to the SPA and in accordance with its terms and with notice to the Director, but without notice to or order of this Court; provided, however, that any such modification, amendment, or supplement will not have a material adverse effect on the Plan or the Estate unless such modification, amendment, or supplement is approved by order of this Court.

45. The Order will be a final order and the Rehabilitator will endeavor to have any appeal from the Order considered on an expedited basis. In addition, the Order should be given full faith and credit in all courts in the United States.

46. The Order will constitute the Rehabilitation Court Confirmation and Approval Order for purposes of the SPA and shall have effect upon Closing.

47. The Rehabilitator further requests that the Court retain exclusive jurisdiction over this matter for all purposes necessary to effectuate and enforce its Orders, including the final Order.

**REQUEST FOR COURT APPROVAL OF ALL ACTIONS
TAKEN OR NOT TAKEN BY THE DIFS DIRECTOR AS
THE REHABILITATOR OF THE PAVONIA ENTITIES**

48. From the inception of this rehabilitation, the Rehabilitator and Deputy Rehabilitators have taken possession of the Pavonia Entities' assets, marshaled additional assets, compromised claims, mitigated liabilities, continued operating the companies consistent with the Plan, and otherwise administered the rehabilitation and business of the Pavonia Entities in accordance with Chapter 81. The Rehabilitator and Deputy Rehabilitators have taken all these actions in the exercise of their discretion and under this Court's general supervision.

49. Further, the Rehabilitator has complied with this Court's directives in this matter and has sought express Court approval of all material transactions.

50. Consequently, the Rehabilitator seeks entry of a final Order approving all actions taken or not taken by the Rehabilitator and her Deputy Rehabilitators, representatives, agents, accountants, attorneys, successors, predecessors, officers, directors, and assigns throughout the rehabilitation, and providing that such actions taken or not taken have been properly executed and have met the requirements of Chapter 81 and the laws of the State of Michigan in general, as ascertained by and reviewed by this Court through the date of the Order.

**REQUEST FOR DISCHARGE OF REHABILITATOR AND
RELEASE OF ALL CLAIMS AGAINST THE DIRECTOR AS
REHABILITATOR OF THE PAVONIA ENTITIES**

51. MCL 500.8146(1) provides for discharge of the liquidator (in this case, the Rehabilitator) once all assets justifying the expense of collection and distribution have been collected and distributed under Chapter 81.

52. As explained above, the Rehabilitator and her Deputy Rehabilitators have marshaled all readily-collectible assets of the Pavonia Entities, which will be transferred to Buyer via the SPA and transaction.

53. Upon Closing, the Pavonia Entities will be restored (post-Closing, as a then wholly-owned subsidiary of Aspida) to possession of their property and control of their business consistent with the Plan and the goals of rehabilitation under Chapter 81. With the purposes of the rehabilitation accomplished and the grounds for rehabilitation no longer existing, the Director, as Rehabilitator of the Pavonia Entities, upon Closing of the transaction, therefore seeks entry of a final Order providing that the Rehabilitator and her Deputy Rehabilitators, representatives, agents, accountants, attorneys, successors, predecessors, officers, directors, and assigns are fully, finally, and unconditionally discharged and released from any duties, obligations, claims, and liabilities relating to or arising out of the rehabilitation of the Pavonia Entities.

**REQUEST FOR BAR ORDER FOR ALL CLAIMS
AGAINST THE REHABILITATOR**

54. The Rehabilitator also requests entry of a final Order providing that all claims and causes of action against the Rehabilitator and her Deputy

Rehabilitators, representatives, agents, accountants, attorneys, successors, predecessors, officers, directors, and assigns for any and all actions taken or not taken throughout the rehabilitation of the Pavonia Entities are completely and forever barred, and that from and after entry of the Order terminating the rehabilitation, these persons shall have no further responsibility, obligations, or liability under Chapter 81 or the laws of the State of Michigan with respect to any matter relating to or arising out of the Pavonia Entities' rehabilitation.

REQUEST FOR APPROVAL OF RECORD DESTRUCTION

55. In anticipation of Closing the transaction, the Rehabilitator has and will continue to coordinate with Buyer for the transfer of the Pavonia Entities' company and rehabilitation Estate records. As necessary, the Rehabilitator (or Director as former Rehabilitator) will continue this process following the Closing.

56. With respect to any of the Pavonia Entities' company and rehabilitation Estate records that the Rehabilitator retains, whether due to required retention policies and/or Buyer indicating that their transfer is not necessary (the "**Retained Pavonia Entities Records**"), the Rehabilitator recommends and seeks authority to destroy these Retained Pavonia Entities Records on a rolling, yearly basis, such that every year all documents more than seven (7) years old will be destroyed unless their retention is otherwise required by law, without further request to the Court by the Rehabilitator/Director as former Rehabilitator and without further review or order of this Court.

**REQUEST FOR FINAL ORDER TERMINATING REHABILITATION,
CLOSING CASE, AND DISCHARGING ALL REPORTING OBLIGATIONS**

57. The purposes of the rehabilitation having been accomplished and the grounds for rehabilitation no longer existing [see MCL 500.8116(2)], the Rehabilitator requests that simultaneously with the Closing of the transaction, the final Order terminate the rehabilitation of the Pavonia Entities and close this case.

58. The Rehabilitator also requests that no further reports be required of the Rehabilitator to any person or entity, including but not limited to reports to this Court and reports to DIFS.

AUTHORIZATION OF SERVICE

59. As the attached Proof of Service reflects, a copy of the filed Motion and Exhibits thereto (including the proposed Order attached as Exhibit B), together with the Notice of Hearing, were personally served via electronic mail on the following individuals or entities:

- a. GBIG Holdings, Inc., c/o counsel Zachary Larsen
- b. Aspida Holdco LLC, c/o counsel Stephen Schwab
- c. U.S. Department of Justice, c/o counsel Sharon Williams
- d. U.S. Internal Revenue Service, c/o counsel Robert D. Heitmeyer
- e. Mike Dinius, Deputy Rehabilitator of the NC Insurer Affiliates
- f. Andesa Claim, c/o counsel Elliott Stein
- g. Schwab Claim, c/o counsel Stephen Scott
- h. Sharp Litigation, c/o counsel Steve Ferguson
- i. Independent Insurance Group, LLC, c/o counsel Jonathan Raven

The Rehabilitator has identified these individuals and entities as having the

strongest potential interest in this matter, justifying their receipt of personal service. The Rehabilitator will likewise serve any Order entered as a result of the Motion on such individuals and entities in the same manner.

60. Beyond the individuals and entities described above, personally serving this Motion, the Notice of Hearing, and any resulting Order on other individuals or entities that may have a general interest in the Pavonia Entities' rehabilitation would be time-intensive and costly to the rehabilitation Estate, and is not deemed by the Rehabilitator to be necessary or appropriate. For these reasons, the Rehabilitator requests that the Court authorize and ratify service of this Motion, the Notice of Hearing, and any resulting Order on any other potentially interested individuals or entities by posting electronic copies on the DIFS website, www.michigan.gov/difs, under the section "Who We Regulate," the subsection "Receiverships," and the sub-subsection "Pavonia Life Insurance."

Service in the foregoing manner is reasonably calculated to give the listed individuals and entities, together with any other potentially interested individuals or entities, actual notice of these proceedings and is otherwise reasonable under the circumstances.

RELIEF REQUESTED

WHEREFORE, the Director, acting solely in her capacity as the Court-appointed and statutory Rehabilitator of the Pavonia Entities, respectfully requests entry of a final Order in the form attached as Exhibit B, which provides among other relief:

- a. Granting the Rehabilitator's Motion;
- b. Approving Plan of Rehabilitation, Related Closing of Stock Purchase Agreement, and related releases, discharges, injunctions, and other protections referenced herein;
- c. Approving all actions taken or not taken by the Rehabilitator and her past and present agents;
- d. Discharging the Rehabilitator and her past and present agents;
- e. Unconditionally releasing the Rehabilitator and her past and present agents;
- f. Forever barring all claims against the Rehabilitator and her past and present agents;
- g. Authorizing destruction of Retained Pavonia Entities Records;
- h. Terminating the rehabilitation, closing the case, and discharging the Rehabilitator's reporting obligations;
- i. Authorizing and ratifying the Rehabilitator's service of this Motion, the Notice of Hearing, and any resulting Order via the methods identified; and
- j. Granting such other and further relief as the law or equity require.

Respectfully submitted,

Dana Nessel
Attorney General

/s/ Christopher L. Kerr
Christopher L. Kerr (P57131)
Aaron W. Levin (P81310)
Assistant Attorneys General
Attorneys for Petitioner
Corporate Oversight Division
P.O. Box 30736
Lansing, Michigan 48909
(517) 335-7632

Dated: May 18, 2020

EXHIBIT A



Pavonia Life Insurance Company of Michigan

April 13, 2020

Sharon C. Williams
U.S. Department of Justice
1100 L Street, NW
Washington, D.C. 20005

Re: Pavonia Life Insurance Company of Michigan, in Rehabilitation –
Proof of claim filed by the United States Government on September 17, 2019

Dear Ms. Williams:

As you know, you filed a proof of claim on behalf of Claimant “The United States” on September 17, 2019 (the “US Proof of Claim”) in the above-referenced rehabilitation of Pavonia Life Insurance Company of Michigan (“Pavonia”). The US Proof of Claim provides absolutely no information about the substance of the claim, stating as “Unknown” the nature of the claim; the facts giving rise to the claim; the number of related claims; the total dollar amount of the claim; whether any part of the claim has been paid; whether there are any setoffs, counterclaims, or defenses to the claim; whether there is any security for the claim; and the legal and factual basis for any assertion that the claim is entitled to priority.

Proofs of claim are governed by Section 8136 of the Michigan Insurance Code of 1956 (the “Insurance Code”), MCL 500.8136. MCL 500.8136 requires a proof of claim to include all the information on the Pavonia proof of claim form, including the particulars of the claim; the identity and amount of the security on the claim; the payments made on the claim, if any; that the sum claimed is justly owing and there is no setoff, counterclaim or defense to the claim; any right of priority of payment or other specific right asserted by the claimants; a copy of the written instrument which is the foundation of the claim; and any other information and documents required to be included under the prescribed form used by the receiver. MCL 500.8136(1) and (2).

Relevant to the US Proof of Claim, MCL 500.8136(2) provides that “[a] claim need not be considered or allowed if it does not contain all the information” set forth above that may be applicable. Further, MCL 500.8136(3) authorizes the receiver “to request the claimant to present information or evidence supplementary to that” set forth above, and to “otherwise obtain additional information or evidence” relating to a filed proof of claim.

Nearly seven (7) months have elapsed since you filed the US Proof of Claim. In that time, despite repeated inquiries by the Rehabilitator's representatives, the United States has provided no additional information in support of its "Unknown" claim. Accordingly, the claim is wholly incomplete and unsubstantiated, and in its deficient current form, the claim "need not be considered or allowed" by the Rehabilitator.

As you also know, the Plan of Rehabilitation for Pavonia entails selling the company, along with its wholly-owned subsidiary Global Bankers Insurance Group, LLC ("ServiceCo"), to an unaffiliated, third-party purchaser. The ambiguous US Proof of Claim is the only impediment to proceeding with this sale and closing the receivership, which must be accomplished as soon as possible and will benefit Pavonia's policyholders, creditors, and the public.

Based on the applicable statutes and for the reasons stated above, the Rehabilitator of Pavonia hereby demands that the United States submit all the missing information on its deficient proof of claim form and required to support its claim within ten (10) calendar days after receiving this letter, or by April 23, 2020. If the requisite supporting information to substantiate the US Proof of Claim is not received within this 10-day period, then pursuant to MCL 500.8136(2), the Rehabilitator will not consider the US Proof of Claim and the claim will be automatically denied.

If the United States fails to submit the required claim information by April 23, 2020 resulting in its claim being denied, then pursuant to MCL 500.8139(1) and the Rehabilitation Court's August 8, 2019 Procedural Order, the United States will have 30 calendar days from the date of the denial, or until May 25, 2020 (due to the 30-day period ending on a Saturday), to file with the Rehabilitator a written objection to the claim denial. If no written objection is timely filed, the Rehabilitator's determination to deny the US Proof of Claim will be a final determination as to the validity, distribution priority, and allowed amount of the claim, and the United States cannot further object to the Rehabilitator's denial of the US Proof of Claim. If the United States files a timely written objection with the Rehabilitator and the Rehabilitator does not alter her denial of the claim as a result of the objection, then pursuant to MCL 500.8139(2) the Rehabilitator will ask the Rehabilitation Court for a hearing as soon as practicable. Upon receipt of the Rehabilitator's request for hearing, the Rehabilitation Court will set a date and time for such hearing and provide the Rehabilitator with a notice of the hearing date, which the Rehabilitator will timely provide to the United States via you as the claimant's attorney. If a hearing is necessary, the Rehabilitation Court will determine the validity, distribution priority, and/or allowed amount of the US Proof of Claim, as applicable. The Rehabilitation Court's decision will be a final and appealable order.

We look forward to the United States' cooperation in this matter by timely and finally submitting the required information to support its proof of claim within the stated 10-day period, or by April 23, 2020. Otherwise, the Rehabilitator will have no option but to deny the US Proof of Claim. Thank you for your attention to this matter, and please contact me if you have any questions.

Administrative Address: 180 Mt. Airy Rd., Suite 101, Basking Ridge, NJ 07920
Mailing Address: 2327 Englert Drive, Durham, NC 27713
Tel: (800) 323-1317 Email: Us.policy.admin@pavonia-life.com

Respectfully,

James Gerber

James E. Gerber
Special Deputy Rehabilitator
Pavonia Life Insurance Company of Michigan and
Global Bankers Insurance Group, LLC
Mobile phone: (517) 918-6236

Copy: Mr. Christopher Kerr, Assistant Attorney General, State of Michigan
Mr. James Long, Assistant Attorney General, State of Michigan

EXHIBIT B

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

ANITA G. FOX, DIRECTOR OF THE
MICHIGAN DEPARTMENT OF
INSURANCE AND FINANCIAL SERVICES,

Petitioner,

Case No. 19-504-CR

HON. WANDA M. STOKES

v

PAVONIA LIFE INSURANCE
COMPANY OF MICHIGAN,

[IN REHABILITATION]

Respondent.

**ORDER GRANTING MOTION FOR FINAL ORDER:
(i) APPROVING PLAN OF REHABILITATION AND RELATED CLOSING
OF STOCK PURCHASE AGREEMENT;
(ii) TERMINATING REHABILITATION;
(iii) APPROVING ACTIONS OF THE REHABILITATOR; AND
(iv) DISCHARGING THE REHABILITATOR, CLOSING THE CASE, AND
GRANTING RELATED RELIEF**

At a session of said Court
held in the Circuit Courtrooms
for the County of Ingham,
State of Michigan on the
_____ day of May, 2020.

PRESENT: HONORABLE WANDA M. STOKES, CIRCUIT COURT JUDGE

WHEREAS, Petitioner Anita G. Fox, Director (the “**Director**”) of the Michigan Department of Insurance and Financial Services (“**DIFS**”) and Court-appointed and statutory Rehabilitator (the “**Rehabilitator**”) of Pavonia Life Insurance Company of Michigan (“**Pavonia Life**”), and its wholly-owned subsidiary

Global Bankers Insurance Group, LLC (“**ServiceCo**,” and collectively with Pavonia Life, the “**Pavonia Entities**”), by and through her attorneys, Dana Nessel, Attorney General of the State of Michigan, and Christopher L. Kerr and Aaron W. Levin, Assistant Attorneys General, has filed a Motion for Final Order: (i) Approving Plan of Rehabilitation and Related Closing of Stock Purchase Agreement; (ii) Terminating Rehabilitation; (iii) Approving the Actions of the Rehabilitator; and (iv) Discharging the Rehabilitator, Closing the Case, and Granting Related Relief (the “**Motion**”);

WHEREAS, the Court has reviewed the Motion and any objections or responses filed thereto, together with the terms of this final order and judgment (this “**Final Order**”), which was attached to the Motion as Exhibit B;

WHEREAS, MCL 500.8116(2) authorizes the Rehabilitator to petition this Court at any time “for an order terminating rehabilitation of an insurer,” and the Court finds that it is appropriate to terminate the rehabilitation of the Pavonia Entities for the reasons stated in the Motion;

WHEREAS, the Court further finds that pursuant to MCL 500.8146(1), it is proper to grant the discharge of the Rehabilitator and to make other appropriate orders;

WHEREAS, James E. Gerber having verified the facts set forth in the Motion, the Court having heard oral argument on the Motion on Tuesday, May 26, 2020, at 2:30 p.m., and the Court being otherwise fully advised;

WHEREAS, based on the Motion and oral argument, the Court makes the following additional Findings and Conclusions and enters the following Orders; and

WHEREAS, if any of the following Findings constitute Conclusions, the Court deems them as such, and *vice versa*. Any and all other or further Findings and Conclusions that the Court may have or may further set forth on the record at the oral argument on the Motion are hereby incorporated in this Final Order.

FINDINGS & CONCLUSIONS

1. On July 9, 2019, this Court entered a Stipulated Order Placing Pavonia Life Insurance Company of Michigan into Rehabilitation, Approving Compensation of Special Deputy Rehabilitators, and Providing Injunctive Relief (the “**Rehabilitation Order**”). The Rehabilitation Order appointed the Director as the Rehabilitator of Pavonia Life, including ServiceCo, as required by MCL 500.8113(1), and further approved the compensation of the Rehabilitator’s appointed Special Deputy Rehabilitators, James E. Gerber, Janice Sylvertooth, and Julieanne Gulliver, under MCL 500.8114(1) (the “**Deputy Rehabilitators**”).

2. Unlike most insurer receiverships, this matter has not involved a financially troubled insurance company. Rather, the Pavonia Entities are, and at all times material have been, solvent, and are affiliates and wholly-owned subsidiaries of GBIG Holdings, Inc. (“**GBIG Holdings**”), which also owns several North Carolina domiciled affiliated insurance companies that were placed in rehabilitation by the North Carolina Insurance Commissioner on June 27, 2019 (the “**NC Insurer Affiliates**”).

3. Further, the Pavonia Entities are wholly-owned subsidiaries of GBIG Capital, LLC, which in turn is wholly owned by Greg E. Lindberg, a North Carolina

resident. At this time, and until the Closing¹ of the transaction that is an integral component of the Plan of Rehabilitation (“**Plan**”) for the Pavonia Entities, Mr. Lindberg remains their upstream owner. On March 5, 2020, a federal jury in the Western District of North Carolina convicted Mr. Lindberg on allegations of bribing the North Carolina Insurance Commissioner. Sentencing and various post-trial motions are pending.

4. Pursuant to MCL 500.8114(4), the Rehabilitator prepared the Plan to effectuate the reorganization and transformation of the Pavonia Entities for the protection and benefit of the companies, their policyholders, and creditors. The Plan proposes the sale of the Pavonia Entities by GBIG Holdings, as Seller, to a non-affiliated third party, Aspida Holdco LLC (“**Aspida**”), a Delaware holding company that is an affiliate of Ares Management Corporation, as Buyer.

5. The Plan effects a change in ownership, management, and control of the Pavonia Entities, and implements a process for resolving claims for “Unscheduled Liabilities” as defined in the Plan, other submissions to the Court, and this Court’s Orders.

6. Prior to entry of the Rehabilitation Order, GBIG Holdings transferred ServiceCo to, and it became a wholly-owned subsidiary of, Pavonia Life. The transfer was effected with full disclosure to DIFS. Buyer and Seller communicated the terms of the Stock Purchase Agreement (“**SPA**”) to DIFS prior to the

¹ Certain capitalized terms adopt the meanings per documents previously filed with the Court (e.g., “**Closing**”).

rehabilitation and reported that ServiceCo would be transferred in light of Buyer's acquisitions pursuant to the terms and conditions of the SPA.

7. The Plan and the transaction are being undertaken as part of and pursuant to the State of Michigan's regulation of the business of insurance, in order to protect the interests of policyholders and to secure their contractual coverage.

8. On July 9, 2019, GBIG Holdings and Aspida entered into the SPA immediately prior to the institution of these rehabilitation proceedings. The SPA is part of and fully integrated into the Plan, and was subject to both DIFS' Form A regulatory approval pursuant to MCL 500.1311 – 500.1319 and this Court's approval of the Plan.

9. During these proceedings and consistent with the Plan, the Rehabilitator caused the Pavonia Entities to conduct their business in the ordinary course and in accordance with Chapter 81 of the Michigan Insurance Code, MCL 500.8101 – 500.8159 ("**Chapter 81**"), and with the Plan, and at times has consulted with the parties in anticipation of the transaction ultimately Closing.

10. Pursuant to the SPA, Seller agreed to sell to Buyer, free and clear of any security interest, claim, restriction, encumbrance, lien, or adverse right, and Buyer agreed to acquire from Seller, all of Seller's right, title, and interest in and to all of the issued and outstanding capital stock of Pavonia Life and, indirectly, ServiceCo, on the terms and conditions stated therein.

11. At the Rehabilitator's request, on August 8, 2019, the Court entered an Order Preliminarily Approving Plan of Rehabilitation to: (i) Set Bar Date and Establish Mandatory Procedures For Claims For Unscheduled Liabilities by any

and all persons who may assert such Unscheduled Liabilities Claims (hereinafter, “**Unscheduled Liabilities Potential Claimants**”); (ii) Establish Procedures for Notice, Comment and Hearing Concerning Final Approval of Plan of Rehabilitation; and (iii) Authorize Combined Notice (the “**Procedural Order**”).

12. The Rehabilitator issued the required combined notice and implemented the claims procedure.² Seven proofs of claim were timely filed. Those persons who filed such claims are referred to hereinafter as the “**Unscheduled Liabilities Claimants**” and the claims they filed are referred to hereinafter as the “**Unscheduled Liabilities Claims.**” All but three of the claims have been resolved:

- a. POC No. 2, filed by claimant United States of America, which for purposes of this Final Order shall be deemed to include therein potential claims of the Internal Revenue Service (“**US Claim**”);
- b. POC No. 5, filed by claimant Andesa Services, Inc., a data processing company located in Allentown, Pennsylvania (“**Andesa Claim**”); and
- c. POC No. 7, filed by claimant Charles Schwab & Co., Inc. and Charles Schwab Corporation, a Delaware Corporation (“**Schwab Claim**”).

13. In addition to the timely filed proofs of claim, on or about March 30, 2020, the Rehabilitator received notice of a summons and pleadings relating to a third-party claim against Pavonia Life in a matter known as *LSF10 Master Participation Trust v. Woodrow W. Lasher, Jr. et al.*, No. CJ-2018-45 pending in the District Court for Lincoln County, Oklahoma (“**Sharp Litigation**”).

² The Seller has represented that it provided the combined notice to several additional lenders and investors in entities owned by the controlling shareholder out of an overabundance of caution.

14. Two objections to the Plan were timely filed. One was filed by Charles Schwab & Co., Inc. and Charles Schwab Corporation which was subsequently withdrawn. The other was filed by Independent Insurance Group, LLC (“**Independent**”), which objection was exhaustively briefed and is discussed further below.

15. The Rehabilitator does not have cause to believe that the universe of Unscheduled Liabilities Potential Claimants is material in number or value. Except for the Sharp Litigation, the Rehabilitator does not know of any Unscheduled Liabilities Potential Claimant that has not filed a proof of claim or otherwise participated in the claim procedure. The Rehabilitator determined that Unscheduled Liabilities might arise out of or relate to affiliate investments engaged in by the NC Insurer Affiliates and/or the controlling shareholder. The class of Unscheduled Liabilities was narrowly circumscribed to reflect the risk that such affiliate investments and Mr. Lindberg represent to the Pavonia Entities, their policyholders, other creditors, and the public, whether in the form of a potential claim against the stock or other assets of the companies, to avoid or set aside the transaction, or otherwise. The Plan uses a narrowly tailored approach to resolve and extinguish that risk, which ensures the continued coverage of policyholders.

16. The rehabilitation did not affect at any time, and the restoration provisions of this Final Order will not effect, any assignment of rights or obligations due or owing under any policy or other Pavonia Entities contract.

17. On January 13, 2020, Deputy Rehabilitator James E. Gerber submitted his First Report and Accounting to the Court. Therein the Deputy

Rehabilitator summarized all significant developments since the initiation of these proceedings, and provided a detailed background about Pavonia Life, its history, business, financial circumstances, the Rehabilitator's actions and accomplishments, the proposed transaction between GBIG Holdings and Aspida, pending litigation, regulatory matters, administrative matters, and other financial matters. As described in the conclusion, the "major goal" for 2020 was "to resolve the United States Government claim," and "contingent upon DIFS's Form A approval, proceed with the Court's final approval of the sale" as outlined in the Plan.

18. On January 16, 2020, the Court held a hearing concerning the Plan and the one pending objection filed by Independent.

19. On March 9, 2020, the Court denied Independent's objection and indicated its intention to grant final approval to the Plan. Specifically, the Court stated that "Pending Form A approval, this Court sees no reason to deviate from the Rehabilitation Plan . . . and no reason to delay the consummation of the SPA any longer."

20. On March 12, 2020, Director Fox issued Order No. 2020-08-M approving Aspida's Form A Statement and the acquisition of the Pavonia Entities by Aspida. As a result, the sole major goal that remained for the Rehabilitator as described in the Deputy Rehabilitator's January 13, 2020 report to the Court was to resolve the US Claim for an "Unknown" amount.

21. After consulting with the Buyer and Seller, the Rehabilitator recommends that the Closing proceed and that the US Claim be resolved via a two-pronged approach: (a) denial of the US Claim for failure to timely substantiate its

content in compliance with MCL 500.8136; and (b) the Pavonia Entities by agreement will satisfy and hold the Director, the Rehabilitator, and/or the Deputy Rehabilitators harmless against the US Claim, based on the remote contingency that the United States Department of Justice (“**DOJ**”) later attempts to pursue the US Claim against the Rehabilitator and/or Deputy Rehabilitators, as described further below.

22. With respect to the first prong, on April 13, 2020 Deputy Rehabilitator James E. Gerber sent a letter to the DOJ representative who filed the US Claim advising that the claim is deficient because it states as “Unknown” all relevant information required to support the claim, and therefore does not comply with MCL 500.8136. (See Motion, Exhibit A.) The letter afforded the DOJ ten calendar days, or until April 23, 2020, to provide the missing information required to substantiate the US Claim, otherwise the claim would be automatically denied. The DOJ did not provide the missing information or otherwise respond to the letter, therefore the Rehabilitator denied the US Claim effective as of April 23, 2020. Although the DOJ had thirty days, or until May 26, 2020, to object to the Rehabilitator’s denial of the US Claim, it did not object or otherwise respond to the claim denial. Accordingly, pursuant to MCL 500.8139(1) and the Procedural Order, the Rehabilitator’s determination to deny the US Claim is a final determination as to the validity, distribution priority, and allowed amount of the claim and the United States cannot further object to the Rehabilitator’s determination to deny the US Claim.

23. With respect to the second prong, the Pavonia Entities will by agreement: (a) hold the Director, the Rehabilitator, and/or the Deputy

Rehabilitators harmless against the US Claim, in the unlikely event that the DOJ later attempts to pursue the US Claim against the Rehabilitator and/or Deputy Rehabilitators; and (b) satisfy the US Claim, in the unlikely event that the Rehabilitator's denial of the US Claim, together with the releases, discharges, injunctions, and other protections provided in this Final Order, or for any other reason, are deemed ineffective by a court of competent jurisdiction to bar the US Claim, and such claim is awarded in a final, non-appealable order.

24. Consistent with Sections 2.04, 7.05 and 7.06(a) of the SPA, the Pavonia Entities will be executing two agreements with the companies' affiliates, including the NC Insurer Affiliates and the upstream owner: (i) Termination of Cost Sharing Agreement; and (ii) Termination and Release Agreement. These agreements effect the termination of intercompany agreements in their entirety, and settle all payables accrued under intercompany agreements, other than a tax sharing agreement, which is separately addressed. The Seller and Buyer may execute an amendment to the SPA to address certain transactional points prior to Closing, and any such amendment, if any, shall be deemed part of the SPA for all purposes of this Final Order.

25. In light of DIFS' Form A approval and subject to the Court's final approval of the Plan as provided herein, the Rehabilitator believes that the transaction between the parties should proceed to Closing.

26. The concluding phase of this rehabilitation involves the Closing and restoration to the Pavonia Entities of possession of their property and control of their business which form the Estate (as defined below) that is the subject of the

rehabilitation proceedings. To complete the transaction, the assets to be purchased include those supporting direct and assumed insured liabilities (here, “**Scheduled Liabilities**”). As a result, the reformation of the Pavonia Entities involves their resumption of only Scheduled Liabilities, and the adjudication and final determination of Unscheduled Liabilities Claims, including the US Claim, the Andesa Claim, the Schwab Claim, and the Sharp Litigation, as discussed further below.

27. The Plan effects the separation of the Pavonia Entities from the NC Insurer Affiliates and Mr. Lindberg so that their business and property may be safely restored to the Pavonia Entities for the protection of their respective policyholders, creditors, and the public. Restoration ensures the continuity of insurance coverage to policyholders and minimizes disruptions to operations. The separation is achieved, at least in part, by restoring to the Pavonia Entities the Scheduled Liabilities and the Assets of the Pavonia Entities (defined below) after all Unscheduled Liabilities have been adjudicated through the Claims Procedure (regardless whether a claim was filed). The restoration of assets and liabilities (along with control of the Pavonia Entities’ business) are express and integral conditions of, and will facilitate, the Plan and the transaction.

28. The Buyer has represented that it would not enter into the transaction or proceed with the Closing without the restoration provisions, releases, discharges and extinguishment of liability, and injunctive relief that are set forth in this Final Order, as required by the SPA. These restoration provisions, releases, discharges and extinguishment of liability, and injunctions are provided for in MCL

500.8105(1) and 500.8121, are narrowly tailored to effectuate the transaction and implement the Plan, and are fair, equitable, and just under the facts and circumstances of this case.

29. The Rehabilitator has determined that upon Closing, the purposes of the rehabilitation will have been accomplished and the grounds for rehabilitation will no longer exist, as provided in MCL 500.8116(2). The Rehabilitator has therefore requested that the Court enter this Final Order approving the Plan and directing that simultaneously with the Closing: (a) the Scheduled Liabilities will be restored to the Pavonia Entities and become the obligation of the companies under the Buyer's ownership; (b) no liabilities beyond the Scheduled Liabilities will be restored to the Pavonia Entities, except as otherwise provided for herein (i.e., the Andesa Claim, the Schwab Claim, and the Sharp Litigation); and (c) after Closing the Pavonia Entities will not have any obligations for any Unscheduled Liabilities. The Rehabilitator has further requested, based on the adjudication of any and all filed claims for Unscheduled Liabilities, unless otherwise specifically addressed herein, that the Court bar the assertion of any further Unscheduled Liabilities that could have been filed, but were not, and forever release, discharge, bar, and extinguish any liability for unfiled claims (if any) for Unscheduled Liabilities against the Pavonia Entities and the transaction parties.

30. The Rehabilitator has further requested that this Final Order provide for the release and discharge from, and extinguishment of, any pre-rehabilitation and pre-Closing liability or responsibility for the Pavonia Entities, Seller, Buyer, and their respective parents, owners, equity holders, subsidiaries, affiliates, officers,

and directors (collectively, “**Affiliates**”) for any Unscheduled Liabilities; and include injunctions issued in favor of the Pavonia Entities, Seller, Buyer, and their Affiliates precluding the assertion against them of any claims for Unscheduled Liabilities by any and all Unscheduled Liabilities Claimants and Unscheduled Liabilities Potential Claimants (except for the Andesa Claim, the Schwab Claim, and the Sharp Litigation).

31. The Court provided a full and fair opportunity for all policyholders, creditors, and interested persons to interpose objections or comments to the Plan.

32. The Legislature vested the Court with exclusive subject matter jurisdiction over this rehabilitation, MCL 500.8104(3), and the power to enter this Final Order on the Plan that is binding on the Pavonia Entities, their policyholders, creditors, and the transaction parties.

33. Entry of the Rehabilitation Order transferred control of the operations and vested the Director as Rehabilitator “by operation of law [with] title to all [of the Pavonia Entities’] assets,” MCL 500.8113, and created an estate that comprises all of the Pavonia Entities’ assets and liabilities (“**Estate**”). The Court has *in rem* jurisdiction over the Estate.

34. The Court has *in personam* jurisdiction through the Rehabilitator’s general representation of all the Pavonia Entities’ creditors (including policyholders), the receipt of and payment for insurance contracts, the filing of claims, the lodging of objections, and any and all other acts by which creditors have invoked the benefits and protections of Michigan law.

35. Subject to interim disputes or objections that may have arisen, the Rehabilitator represents the interests of all policyholders, creditors, and shareholders of the Pavonia Entities in developing and implementing a rehabilitation plan that is fair and equitable and protects the interests of all parties concerned.

36. All contracts issued or executed by the Pavonia Entities are deemed to include Chapter 81 in their provisions and to have been entered into subject to Chapter 81.

37. It is fair and reasonable for the Court to assert jurisdiction over policyholders, creditors, and other interested persons of the Pavonia Entities and the Estate in respect of their respective rights and interests, as well as those who may have a right to a direct or indirect claim against or involving the assets and liabilities of the Pavonia Entities and the Estate.

38. All non-insured creditors (including, without limitation, Unscheduled Liabilities Claimants) who objected to the Plan or who sent a claim, request, reminder, notice, or demand of any kind or nature seeking or referencing any amount or obligation due or payment from the Pavonia Entities at any time after entry of the Rehabilitation Order have therefore made a claim against the Estate and invoked the benefits and protections of Michigan law.

39. The Court's final approval of the Plan, as provided herein, constitutes adjudication of the rights of all policyholders, actual and potential creditors, and other interested persons in accordance with Chapter 81. This Final Order applies

to all policyholders, actual and potential creditors, and interested persons and binds them to this Final Order.

40. The Plan is lawful, appropriate, fair and equitable to all parties concerned, and a reasonable exercise of the Rehabilitator's authority and the State's police power.

41. Assets of the Pavonia Entities, as defined herein, include but are not limited to capital and surplus, and will be restored to the Pavonia Entities specifically for concomitant Scheduled Liabilities.

42. Upon Closing, neither Mr. Lindberg nor any other Global Group controlling person will have, nor may they exercise, any control whatsoever over the Pavonia Entities.

43. The Buyer has represented, and the Rehabilitator believes, that the Buyer acted in good faith in the transaction.

44. The Seller has represented in the SPA that it is, and following the transaction will be, solvent, and it has provided to the Pavonia Entities an opinion that the consideration the Buyer will pay for the Pavonia Life shares and assets is financially fair to the Seller. No evidence has been presented to the Rehabilitator or the Director that the Seller is, or was at the time of signing the SPA, insolvent, or that the transaction will render the Seller insolvent.

45. The SPA transactions are not payments on account of antecedent debt and are not made with intent to hinder, defraud, or delay any creditor of the Seller, the Pavonia Entities, or the Estate. Upon Closing, the Pavonia Entities will have been acquired in compliance with applicable law.

46. The consideration that Buyer is providing is fair and constitutes reasonably equivalent value for the stock it is acquiring. As referenced in Order No. 2020-08-M approving the Form A Statement, DIFS separately obtained an Embedded-Value Opinion from an independent actuarial firm to determine the reasonableness of the purchase price under the SPA. The Embedded-Value Opinion supports the Seventy-Five Million Dollar (US \$75,000,000) purchase price. In addition, the SPA is supported by a Fairness Opinion that was obtained pursuant to Section 7.14 of the SPA.

47. The consideration provided by the Buyer under the SPA (i.e., \$75 million in cash plus numerous covenants) is good, valid, and valuable and allows for the transaction to close and protects all Pavonia Life policyholders. The release, discharge, and extinguishment of the Buyer's liability from all Unscheduled Liabilities, reinforced by injunctive relief, are necessary and appropriate to facilitate and protect the transaction that forms the foundation of the Plan.

48. Similarly, the consideration provided by the Seller under the SPA (i.e., selling all the issued and outstanding stock of Pavonia Life to Buyer) is good, valid, and valuable and allows for the transaction to close and protects all Pavonia Life policyholders. The release, discharge, and extinguishment of the Seller's liability from all Unscheduled Liabilities, reinforced by injunctive relief, are necessary and appropriate to facilitate and protect the transaction that forms the foundation of the Plan.

49. Restoration of the Assets of the Pavonia Entities (defined below) to the Pavonia Entities after the Closing of the transaction and termination of

rehabilitation under MCL 500.8116(2) will not violate any applicable fraudulent transfer, voidable preference, voidable transaction, or other avoidance statute under federal (including title 11 of the United States Code) or state law.

50. As a result of the transaction, upon Closing the Rehabilitator has requested that the Court declare, order, and decree the Buyer the owner of legal and beneficial title to the acquired shares free and clear of any liens, claims, interests, charges, and any other encumbrances (including but not limited to Unscheduled Liabilities, except the Andesa Claim, the Schwab Claim, and the Sharp Litigation).

51. The Plan, the transaction, and this Final Order are all undertaken as part of and pursuant to the State of Michigan's regulation of the business of insurance, and thus to protect the interests of policyholders to secure their contractual coverage, and to protect the interests of creditors and the public.

52. The provisions of the Plan, the transaction, and this Final Order are supported by, follow, and do not violate federal law and Michigan state law in general and the Insurance Code in particular, including, but not limited to, Chapter 81.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

A. The Court GRANTS the Motion.

Approval of Plan of Rehabilitation and Related Closing of Stock Purchase Agreement

B. The Court formally and finally approves the Plan of Rehabilitation.

C. The Court approves the Termination of Cost Sharing Agreement and the Termination and Release Agreement with the Pavonia Entities' Affiliates, including the NC Insurer Affiliates and the upstream owner, which the Pavonia Entities are authorized to enter and execute for purposes of Closing.

D. Upon Closing, the foregoing terms and the terms of the SPA and the Plan are and forever will be binding on and enforceable against the Estate, Pavonia Life's policyholders, all actual and potential creditors of the Pavonia Entities, any assigns, the Seller, the Buyer, and other potentially interested persons even if: (i) the transaction, the SPA, or the Plan affects or impairs any rights or claims of such person; (ii) such person has responded to the Plan or the petition for its approval; and/or (iii) such person makes a later demand for payment of any claim or has made (or attempted to make) an appearance in this rehabilitation proceeding at any time.

E. Upon Closing, and pursuant to MCL 500.8116(2), the Rehabilitator's conduct of the Pavonia Entities' business as provided for in the Rehabilitation Order will terminate, and the Pavonia Entities will resume ownership and possession of their property and the conduct of their business as provided in this Final Order and the SPA.

F. For purposes of Closing and effective prior to Closing, and with this Court's express approval under authority granted by applicable law, the Pavonia Entities' liabilities and assets will be restored to the companies, such that, effective upon Closing:

The Pavonia Entities' "**Post-Closing Liabilities**" shall include only Scheduled Liabilities and not any Unscheduled Liabilities, except for the Andesa Claim, the Schwab Claim, and the Sharp

Litigation.

The Pavonia Entities shall be restored with, and vested in, and hold all right, title, and interest in and to their respective properties and assets, including, without limitation, all of the Pavonia Entities' rights, title, and interest in any and all: (i) owned and leased real property; (ii) accounts and notes receivable; (iii) all tangible personal property; (iv) contracts to which the Pavonia Entities or either of them is a party; (v) intellectual property; (vi) licenses, permits, franchises, approvals, registrations, authorizations, and consents; (vii) books and records, ledgers, files, documents, correspondence, and business and accounting records of every kind (including all financial, business, and marketing plans), all advertising, marketing, and promotional materials, all invoices, bills of sale, and other instruments and documents; (viii) claims (including insurance benefits), causes of action, choses in action, rights of recovery, rights of recoupment, and rights of set-off; (ix) guarantees, warranties, indemnities, and similar rights in favor of the Pavonia Entities; (x) goodwill as going concerns and all other intangible property; (xi) all prepaid expenses, credits, advance payments, security deposits, charges, sums, and fees; (xii) cash, cash equivalents, securities, and investments; (xiii) prepayments, prepaid expenses (including, without limitation, prepaid insurance premiums), deferred charges, advance payments, and security deposits; (xiv) insurance, reserves, and deposits; and (xv) all other property not referred to above which is either represented on the Pavonia Entities' balance sheets or acquired by the Pavonia Entities thereafter (collectively, **"Assets of the Pavonia Entities"**).

G. Effective upon Closing, the restoration to the Pavonia Entities of the Assets of the Pavonia Entities, and sale of the shares to the Buyer, along with the Assets of the Pavonia Entities, shall be purchased free and clear of all **Unscheduled Liabilities** (including, but not limited to, liens, encumbrances, claims, charges, and other interests of any nature, type, or kind whatsoever, whether arising under any contract, common law, statute, law, in equity, or otherwise) that have or could have been asserted against the Pavonia Entities or the respective shares of the Pavonia

Entities at any time before or during the Rehabilitation or when such companies and assets and liabilities were within the title, possession, or control of the Rehabilitator or were part of the Estate, except the Andesa Claim, the Schwab Claim, and the Sharp Litigation.

H. Upon Closing, the Pavonia Entities shall be vested, good, valid, and marketable title, free of any and all liens, security interests, or encumbrances of whatever kind or nature, adverse claims, defenses (including, without limitation, rights of setoff and recoupment), and interests of third parties of any kind or nature, other than the Scheduled Liabilities and except for the Andesa Claim, the Schwab Claim, and the Sharp Litigation, in and to all Assets of the Pavonia Entities.

I. Effective upon Closing, the Pavonia Entities, Seller, Buyer, and their Affiliates and each of their officers and directors in such capacities shall be fully and unconditionally released and discharged from, and have absolutely no responsibility or liability whatsoever for any Unscheduled Liabilities, except as provided herein in relation to the Andesa Claim, the Schwab Claim, and the Sharp Litigation, and the Assets of the Pavonia Entities shall not be chargeable for any Unscheduled Liabilities. No person or entity shall have a valid claim or cause of action against the Assets of the Pavonia Entities, the Pavonia Entities, Seller, Buyer or their Affiliates' past, present, or future directors, officers, managers, employees, successors, or assigns in such capacities for any claim related to, or arising in connection with, directly or indirectly, any Unscheduled Liabilities, except as provided herein in relation to the Andesa Claim, the Schwab Claim, and the Sharp Litigation, and neither the Pavonia Entities, Seller, Buyer, their past, present, or

future directors, officers, managers, employees, successors, or assigns in such capacities, or their representatives in the transaction shall have any future responsibility or liability whatsoever, and are hereby fully released and discharged therefrom, except as provided herein in relation to the Andesa Claim, the Schwab Claim, and the Sharp Litigation.

J. Effective upon Closing, to protect the transaction and effect the Plan, and consistent with MCL 500.8105(1)(c), (f), and (k), the Court issues the following injunctions, which complement the Rehabilitation Order's injunctions entered previously in these proceedings:

All persons and entities, including, but not limited to, Estate creditors, contract counterparties, and other interested persons, and without limitation their respective owner members, directors, officers, affiliates, representatives, agents, employees, parents, subsidiaries, successors, and assigns, and all persons in active concert or participation with any of them, whether in the State of Michigan or elsewhere, except as permitted by this Final Order, are permanently restrained and enjoined from: (i) pursuing in any manner any claim or commencing or continuing in any manner or in any place any suit, action, or other proceeding, whether legal, equitable, administrative, or otherwise, whatsoever relating directly or indirectly to Unscheduled Liabilities (except for the Andesa Claim, the Schwab Claim, and the Sharp Litigation) as defined in the Rehabilitator's Plan, submissions to the Court, and this Court's Orders, against Seller, the acquired shares, the Assets of the Pavonia Entities, the Pavonia Entities, Buyer, any of their respective Affiliates, or their respective representatives in the transaction; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the acquired shares, the Seller, the Assets of the Pavonia Entities, the Pavonia Entities, Buyer, or their respective Affiliates or representatives in the transaction relating directly or indirectly to Unscheduled Liabilities (except for the Andesa Claim, the Schwab Claim, and the Sharp Litigation) as defined in the Rehabilitator's Plan, submissions to the Court, and this Court's Orders; or (iii) creating, perfecting, or enforcing any lien or

encumbrance with respect to the acquired shares or the Assets of the Pavonia Entities relating directly or indirectly to Unscheduled Liabilities (except for the Andesa Claim, the Schwab Claim, and the Sharp Litigation) as defined in the Rehabilitator's Plan, submissions to the Court, and this Court's Orders.

All persons and entities are hereby forever prohibited and enjoined from taking any action or omitting to act that would adversely affect or interfere with the ability of the Rehabilitator to effect the Plan, and to authorize the transfer of shares and restoration of the Assets of the Pavonia Entities or Post-Closing Liabilities.

Any person or entity attempting to pursue a claim or commence or continue any action or proceeding in violation of these injunctions in this Final Order shall cause such persons and/or entities to be subject to contempt proceedings before this Court, applicable fines, and other sanctions.

K. The Andesa Claim and the Schwab Claim were timely-filed claims for Unscheduled Liabilities that remain unadjudicated. They shall be the only, timely-filed Unscheduled Liabilities Claims that are restored by this Final Order to Pavonia Life upon the Closing. In addition, Pavonia Life will assume full responsibility for the Sharp Litigation post-Closing. All other timely-filed claims for Unscheduled Liabilities were either resolved with the Court's approval (i.e., Plymale, Gendaszek, and Mann) or were denied by the Rehabilitator and are therefore released and discharged.

L. Nothing in this Final Order will affect, relinquish, modify, or waive any Closing condition, termination right, or other right or obligation due under or set forth in the SPA and any related agreements.

M. The SPA (and each of the instruments or agreements contemplated by it and delivered pursuant to it) may be modified, amended, or supplemented in a

writing signed by the parties to the SPA and in accordance with its terms and with notice to the Director, but without notice to or order of this Court; provided, however, that any such modification, amendment, or supplement will not have a material adverse effect on the Plan or the Estate unless such modification, amendment or supplement is approved by order of this Court.

N. The Court will retain exclusive jurisdiction over this matter for all purposes necessary to effectuate and enforce its Orders, including this Final Order. Without limiting the generality of the above, the Court's continuing jurisdiction will include:

The right to hear and determine all claims, controversies, disputes, and demands arising out of or relating to this Final Order and the Pavonia Entities' rehabilitation proceedings; and

The taking of any action necessary to ensure the continued vitality and legality of the SPA, the transaction, the Plan, and this Final Order.

O. This Final Order constitutes the Rehabilitation Court Confirmation and Approval Order for purposes of the SPA and shall have effect upon the Closing.

P. The Court hereby orders that the Pavonia Entities will by agreement: (a) hold the Director, the Rehabilitator, and/or the Deputy Rehabilitators harmless against the US Claim, in the event that the DOJ later attempts to pursue the US Claim against the Rehabilitator and/or Deputy Rehabilitators; and (b) satisfy the US Claim, in the event that the Rehabilitator's denial of the US Claim together with the releases, discharges, injunctions, and other protections provided in this Final Order, or for any other reason, are deemed ineffective by a court of competent

jurisdiction to bar the US Claim, and such claim is awarded in a final, non-appealable order.

Approval of All Actions Taken or Not Taken by the Director as Rehabilitator of the Pavonia Entities

Q. All actions taken or not taken by the Rehabilitator and her Deputy Rehabilitators, representatives, agents, accountants, attorneys, successors, predecessors, officers, directors, and assigns, both past and present, throughout the rehabilitation of the Pavonia Entities are hereby approved, and such actions taken or not taken have been properly executed and have met the requirements of Chapter 81 and the laws of the State of Michigan in general, as ascertained by and reviewed by this Court through the date of this Final Order.

Discharge of Rehabilitator and Release of All Claims against the Director as Rehabilitator of the Pavonia Entities

R. The Rehabilitator and her Deputy Rehabilitators, representatives, agents, accountants, attorneys, successors, predecessors, officers, directors, and assigns, both past and present, are fully, finally, and unconditionally discharged and released from any duties, obligations, claims, and liabilities relating to or arising out of the rehabilitation of the Pavonia Entities.

Bar Order for All Claims against the Rehabilitator

S. All claims and causes of action against the Rehabilitator and her Deputy Rehabilitators, representatives, agents, accountants, attorneys, successors, predecessors, officers, directors, and assigns, both past and present, for any and all actions taken or not taken throughout the rehabilitation of the Pavonia Entities are completely and forever barred, and from and after entry of this Final Order

terminating the rehabilitation, these persons shall have no further responsibility, obligations, or liability under Chapter 81 or the laws of the State of Michigan with respect to any matter relating to or arising out of the Pavonia Entities' rehabilitation.

**Approval of Destruction of
Retained Pavonia Entities Records**

T. The Court authorizes the Rehabilitator (or DIFS Director as former Rehabilitator) to destroy any Retained Pavonia Entities Records, as that term is defined in the Motion, on a rolling, yearly basis, such that every year all documents more than seven (7) years old will be destroyed unless their retention is otherwise required by law, without further request to the Court by the Rehabilitator/DIFS Director as former Rehabilitator and without further review or order of this Court.

**Termination of Rehabilitation, Closing of Case, and
Discharge of All Reporting Obligations**

U. Effective upon the Closing, the rehabilitation of the Pavonia Entities is terminated, the Rehabilitator is discharged pursuant to MCL 500.8146(1), and this case and the Pavonia Entities' rehabilitation Estate are closed.

V. No further reports regarding the rehabilitation of the Pavonia Entities are required of the Rehabilitator to any person or entity, including but not limited to reports to this Court and reports to DIFS.

Authorization of Service

W. The Court authorizes, approves, and/or ratifies the Rehabilitator's service of the Motion and attached Exhibits (which included a copy of this Final Order as Exhibit B), the Notice of Hearing, and this Final Order:

- a. Via electronic mail on the following individuals or entities:
- GBIG Holdings, Inc., c/o counsel Zachary Larsen
 - Aspida Holdco LLC, c/o counsel Stephen Schwab
 - U.S. Department of Justice, c/o counsel Sharon Williams
 - U.S. Internal Revenue Service, c/o counsel Robert D. Heitmeyer
 - Mike Dinius, Deputy Rehabilitator of the NC Insurer Affiliates
 - Andesa Claim, c/o counsel Elliott Stein
 - Schwab Claim, c/o counsel Stephen Scott
 - Sharp Litigation, c/o counsel Steve Ferguson
 - Independent Insurance Group, c/o counsel Jonathan Raven

and

- b. On any other potentially interested individuals or entities by posting electronic copies on the DIFS website, www.michigan.gov/difs, under the section “Who We Regulate,” the subsection “Receiverships,” and the sub-subsection “Pavonia Life Insurance.”

The Court finds that service in the foregoing manner is reasonably calculated to give the listed individuals and entities, together with any other potentially interested individuals or entities, actual notice of these proceedings and is otherwise reasonable under the circumstances.

Additional Provisions

X. This Final Order shall be binding on all persons that may have an interest in the Pavonia Entities and all persons that received actual or constructive notice of the Motion, including without limitation the United States and its agencies including the U.S. Internal Revenue Service, all parties in interest, all federal, state, and local governmental entities and fiscal intermediaries thereof, and any

other holders of Unscheduled Liability claims of any kind, whether known or unknown, asserted or unasserted, disputed or undisputed, matured or unmatured, liquidated or unliquidated, fixed or contingent, arising in law or equity. This Final Order and the foregoing terms hereof shall bind each and every one of the foregoing persons or entities, without limitation, regardless of whether or not: (a) this Final Order impairs any rights or claims of such persons or entities; (b) such persons or entities have responded to the Motion or participated in any hearing thereon; and/or (c) such persons or entities make a later demand for payment of any claim or have made (or attempted to make) an appearance in the rehabilitation proceeding at any time.

Y. This is a final order and the Rehabilitator (or Director as former Rehabilitator) will endeavor to have any appeal from this Final Order considered on an expedited basis. This Final Order should be given full faith and credit in all courts in the United States.

IT IS SO ORDERED.

This Order resolves the last pending claim and closes the case.

Honorable Wanda M. Stokes
30th Circuit Court Judge